

# *Knox County, Tennessee*



## **Comprehensive Annual Financial Report**

*For The Fiscal Year Ended*

*June 30, 2007*

*Michael R. Ragsdale  
Knox County Mayor*

# *Knox County, Tennessee*



## **Comprehensive Annual Financial Report**

*For The Fiscal Year Ended  
June 30, 2007*

*Michael R. Ragsdale  
Knox County Mayor*

*Prepared by: Knox County Finance Department*

**KNOX COUNTY, TENNESSEE**  
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## OFFICE OF COUNTY MAYOR MIKE RAGSDALE

400 Main Street, Suite 615, Knoxville, TN 37902

December 18, 2007

To the Board of Knox County Commissioners and the Citizens of Knox County, Tennessee:

The Comprehensive Annual Financial Report (CAFR) of Knox County, Tennessee (the County) for the fiscal year ended June 30, 2007, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentations, including all disclosures, rests with the County. County management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that has been established for that purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the County and its component units. All disclosures necessary to enable the reader to gain an understanding of the County's activities have been included.

The introductory section includes this transmittal letter, the County's organization chart, and a list of principal officials. The financial section includes Management's Discussion & Analysis (MD&A), the basic government-wide and fund financial statements and notes to the financial statements. The Financial Section also includes Required Supplementary Information and other supplemental information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. The reader is directed to the MD&A for a narrative introduction, overview and analysis of the financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Knox County's MD&A can be found immediately following the report of the independent auditors.

State law requires that the County obtain an annual audit of its books and records. The independent audit performed by Rodefer Moss & Company, Certified Public Accountants, has been obtained to fulfill that requirement. The auditors have issued an unqualified ("clean") opinion on the County's financial statements for the year ended June 30, 2007. The independent auditors' report is located at the front of the financial section of this report. The County is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments*. Information related to this single audit, including schedules of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, is included in a separately issued report.

The financial reporting entity (the government) includes all the funds and the Primary Government (i.e., the County) as well as its component units. Component units are legally separate entities for which the primary government is financially accountable. Component units are discretely presented in separate columns in the government-wide financial statements to emphasize they are legally separate from the primary government and to differentiate their financial position, results of operations, and cash flows from those of the primary government. The Knox County Board of Education (the Board), Knox County Emergency Communications District (the District), and the Knox County Railroad Authority (KCRA) are reported as discretely presented component units. The County and its Component Units provide a full range of services including, but not limited to, the construction and maintenance of highways, streets and infrastructure, public health and welfare, police protection, emergency telephone services, elementary and secondary education, community services, sanitation services, and recreational and cultural events. Because of the close relationship between the County and the Board and the fact the Board does not issue financial statements separate from those of the County, many of the supplemental schedules and other financial information have been consolidated to more properly reflect the joint activities of the County and the Board.

### ***GOVERNMENTAL STRUCTURE***

The County has operated under a County Mayor/County Commission form of government since September 1, 1980, and has been under a Home Rule Charter (Charter) since September 1, 1990. Policymaking and legislative authority are vested in the County Mayor (the executive branch of the County) and the County Commission (the legislative branch of the County). The County Commission is responsible for, among other things, passing ordinances, adopting the budget and appointing committees. The County Mayor, elected at-large for a four-year term, is responsible for carrying out the policies and ordinances of the County Commission, overseeing the day-to-day operations of the government and appointing the heads of many of the County's departments.

### ***OFFICE OF THE COUNTY MAYOR***

Mayor Mike Ragsdale ran successfully for re-election in 2006. Looking ahead, he has continued to work closely with the department heads and elected officials to provide the highest quality County services and provision of the required infrastructure to support continuous improvement. This section of this document will review some of the successes of Knox County and provide a summary of Mayor Ragsdale's vision for the future.



## *Looking Back.....*



*Ten-Mile Creek Greenway Trail*



*Solway Recycling Center*

The overall greenway efforts within the Department of Parks and Recreation are to be celebrated. We have added nine new greenways trails stretching across all parts of Knox County. That includes eight-plus miles of paved trails and fourteen-plus miles of natural surface. We have negotiated a long-term lease with the State to keep House Mountain Natural area open and to transfer House Mountain's operation to Knox County. All told, we have acquired 557 acres of park land and added 24 new sports fields.

In our engineering and public works department, we have paved nearly 800 miles of road in the county and striped over 600 miles. We have an adopt-a-highway program in place and have restructured our litter grant program. We constructed the Solway Green Waste Recycling facility, enabling the diversion of over 15,000 tons of tree and yard waste from area landfills and converted the waste to mulch.

We have rebuilt and remodeled John Sevier Convenience Center, constructed a facility at Forks of the Rivers that handles household garbage, yard waste and scrap tires. We are also in the process of relocating and modernizing the Halls Convenience Center.

We have completed many road projects and continue to look forward to many improvements.

The County has an effective storm water management program, and we now have a traffic-calming program.

Our library system has been strengthened both by technological improvements and the construction of three new replacement libraries and two new branch libraries. We have opened an \$18 million East Tennessee History Center. This new addition, which will connect to the Custom House, will allow for needed expansion space and will



*Carter Branch Library*

preserve and display our past for future generations. The East Tennessee History Center's collection also benefited from a one-time appropriation that allowed the Historical Society to acquire at auction significant Knox County artifacts from an East Knox County estate.

Our Health Department has overseen a bioterrorism readiness exercise as well as a countywide flu shot initiative to mitigate the effects on Knox County of the nationwide flu vaccine shortage. The entire department stepped up and answered the call to help Knox Countians. The Health Department continues to deliver necessary services to those who need it the most in a very efficient manner. The Health Department has encouraged and supported the development of a comprehensive school health program.



Knox Countians can be very proud of our community's efforts for its animal population. Through the leadership of the Health Department and a positive working relationship with the City of Knoxville as well as substantial private contributions, 2004 saw the opening of a new Animal Center as an example of our community coming together to meet a need. The Young-Williams Animal Center is a model people come from around the country to see.



We have vastly expanded the use of computers in County Offices. We have standardized software countywide and increased technology training for all county employees. Satellite offices in County Government have been networked. Through a strong interactive Web presence, we have improved citizens' access to County Officials and important information, and citizens can now have Internet access to all kinds of information.

Our employees are better trained and informed. Our employees participate in an annual health and benefits fair, and we have initiated the Bright Start Wellness Program.

We have developed a Supplier Diversity Program focusing on assuring equal access in contracting, have implemented a procurement card program, and have returned over \$2 million in revenue back to the County through surplus property disposal.

We have committed over one million dollars toward the Beck Cultural Center recognizing its importance in our history and our future. We have been able to contribute to many local community agencies like Public TV of East Tennessee, Senior Citizens Home Assistance, Technology 2020, Second Harvest Food Bank, the Volunteer Ministry Center, the Interfaith Health Clinic and many others who make a difference for Knox County every day. Two \$1,500,000 grants were instrumental in helping toward the renovation of one of Knox County's treasures . . . the Historic Tennessee Theatre.

Through the continued efforts of the Development Corporation (TDC) we have seen the arrival of more businesses to Knox County each year. Since 1994, the Development Corporation has sold over \$14.4 million in industrial land within its parks and assisted in the sale of an additional \$6.8 million of land sales around the County. TDC has provided \$7.1 million in incentives to companies resulting in over \$300 million of private investment and 1,400 new, high wage jobs. In 1994, WestBridge had only two companies located in it representing a total of 190 jobs. Today there are only 35 available acres left and there are now over 1,400 employees at work in companies located in the park. As a founding partner of the National Transportation Research Center (NTRC) the Development Corporation provided discounted land upon which the NTRC has located a multimillion-dollar research facility that is bringing technology out of the lab and translating it into new business opportunities in this community. This is the first facility of its kind to be built outside the Oak Ridge reservation.

Generations of Knox County residents yet to come will be able to enjoy the brilliant beauty of our new nature refuge, Seven Islands. It is a wonderful legacy for us to leave to our community. What we will be able to offer our citizens through the educational and conservation activities planned for the refuge as well as the host of passive recreational opportunities that will be pursued there will make it a special spot for years to come.





## ***FISCAL YEAR 2007 - MAJOR INITIATIVES***

Throughout the year, the County and the Board have been involved in a variety of projects. These projects reflect the County's continuing commitment to its stated mission:

***“Delivering essential services to Knox County citizens, while building the economic base and related infrastructure needed to be competitive in the 21st century.”***

*Knox County Mission Statement*



### **KNOX COUNTY'S MAYOR**

**Michael R. Ragsdale**

When I first decided to run for Knox County Mayor, I campaigned on four goals to make our community better: Senior Citizens, Better Schools, Economic Development and Making Government Better Every Day. With these goals in mind, I have proposed an ambitious budget for Knox County. This budget will allow us to move forward and make Knox County a great American community. I believe this budget is a crucial turning point for our community. I want you to know where we've been and where we're going in Knox County since I've taken office. Here are some of our achievements and goals for you to see...

#### Senior Citizens

- The long awaited Ben Atchley Veterans' Home opened in 2006. Today, Veterans from throughout East Tennessee are receiving the highest quality of care.
- Started a program "KAT Senior Initiative" where seniors ride Knoxville Area Transit buses, free of charge.
- Learning from consensus based on Senior Summits, expanding senior services by using **No Senior Left Behind** as our roadmap for planning
- Dollars appropriated for new Carter Senior Center, with construction commencing in 2007.
- Several successful Senior Summits with hundreds of seniors in attendance. The summits have provided valuable information to seniors on such topics as housing, prescription drug coverage, transportation, and fraud and abuse.
- Developed No Senior Left Behind initiative.

### Great Schools

- **Every School A Great School** Foundation will provide funding to improve learning from birth to kindergarten focusing on an early career path for middle school children, and improving teacher compensation in difficult to staff schools
- \$71.5 million for new school projects over the next 5 years
- Imagination Library implemented in Knox County providing every child from birth until they reach Kindergarten a book a month, at no cost to the child
- Expanding READ WITH ME- our a national award winning volunteer program that will place one volunteer in every 1st and 2nd grade classroom each week to help students read on grade level.

### Economic Results

- Working on JOBS NOW! A campaign to create 35,000 new regional jobs in 5 years. By creating better jobs, family income has risen by nearly \$4,000 per family
- Knox County Technology and Jobs Fund will establish a loan pool for technology based companies relocating or expanding in our county
- Enterprise Resource Planning will use technology to provide more customer friendly services instead of additional employees
- Established a Payment In Lieu of Taxes (PILOT) program which will create 600 new jobs and generate \$94 million in capital investment.

### Better Government

- Launched Office of Neighborhoods serving thousands of citizens, with virtually all receiving responses within 24 hours.
- Combined and eliminated job duties through efficiencies and outsourced some non-mission critical functions, such as printing, resulting in the elimination of over 100 fulltime positions
- Restructured the Probation and Pretrial Release Program saving taxpayer money in pretrial release services and increased revenue from probation fees by 400%
- Using low risk inmate labor to mow and clean up parks saving more than \$100,000 a year
- Received over \$77 million in Federal grant funding over the past two years

### ***Legislative Initiatives***

*Impact of State Funding:* Knox County, like the other 94 county governments in Tennessee, receives significant support from state-shared revenues -- mainly in the form of education and highway dollars. Because of this dependence, the legislative activities of the Tennessee General Assembly are carefully monitored. Thanks to the continuing leadership of our Governor, the State again passed a responsible, balanced budget. We at the local level are thankful for the fiscal responsibility demonstrated by the State Budget. The rating agencies have recognized these positive trends toward financial responsibility enabling the State to regain its "triple AAA" bond rating, as has been our tradition for a long time. A healthy State budget means more stable and predictable revenues for all cities and counties.

*Capital Improvement Initiatives*

As evidence of the County's commitment to build the facilities necessary to serve the citizens of Knox County and promote economic development within the County and region, the County Commission adopted the Knox County Capital Improvement Plan. At the recommendation of the County Mayor, the five-year capital plan represents a road map of anticipated major capital projects. It does not represent appropriations and is subject to annual revisions or modifications. These individual projects will be primarily funded through general obligation bonded debt.

During the year, the County and the Board expended significant resources in the following major construction/renovation projects in accordance with the County's Capital Plan:

*General Construction/Renovation:*

- Detention Facility Expansion
- Burlington Branch Library
- Veterans' Nursing Home
- South Knox Senior Center
- Farmers Market Park
- New Voting Machines
- Many Parks and Greenways Improvements

*Road Construction/Improvements:*

- Karns Connector
- Various Stormwater Improvements
- Dyestone Gap Road
- Ball Camp Pike
- Walker Springs Connector
- Bridge Replacements
- Gallaher View Road

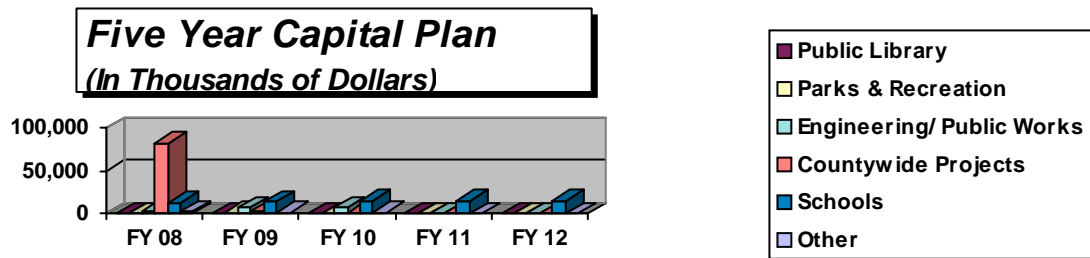
*School Construction/Renovation:*

- Hardin Valley High School
- Cedar Bluff K-5
- Gibbs Elementary
- Powell Middle

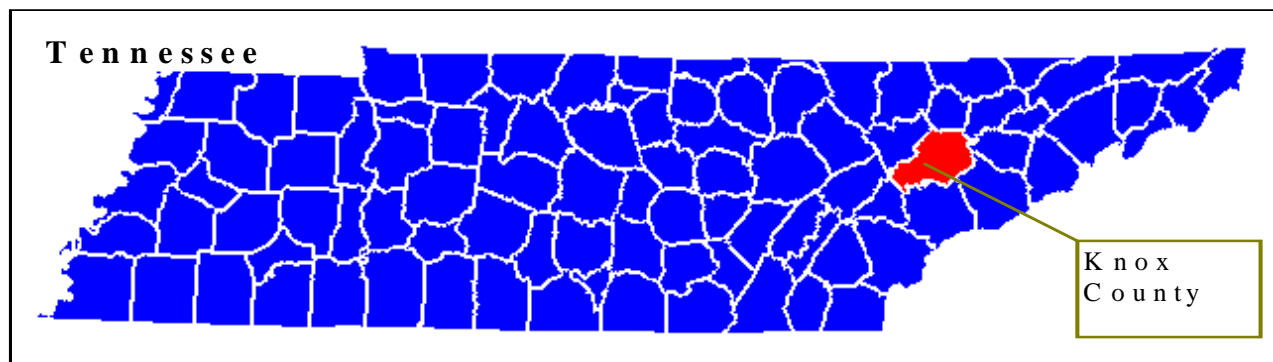
- Holston Middle
- Karns High renovation/addition
- Amherst Elementary
- Roofing and HVAC upgrades

The following summarizes the capital improvement plan net of estimated allocations for project schedule variances (amounts expressed in thousands):

Project Description	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	TOTAL
Libraries	\$ 200	\$ 200	\$ -	\$ -	\$ -	\$ 400
Countywide Projects	81,838	2,697	1,377	-	-	85,912
Parks & Recreation	700	1,205	210	-	-	2,115
Engineering & Public Works	3,850	7,430	7,280	-	-	18,560
Building Upgrades through PBA	1,666	1,300	1,506	-	-	4,472
Schools	12,650	14,000	15,000	15,000	14,850	71,500
Energy Management Projects	780	316	-	-	-	1,096
Total – Approved Projects	\$ 101,684	\$ 27,148	\$ 25,373	\$ 15,000	\$ 14,850	\$ 184,055



### LOCAL ECONOMIC CONDITION AND OUTLOOK



The County is the third most populated county in the State of Tennessee. Located in middle Eastern Tennessee at the head waters of the Tennessee River, it is the hub of the areas of East Tennessee, Southeast Kentucky, Southwest Virginia and Western North Carolina. This area encompasses over two million people. As of the 2000 census, 382,032 citizens reside within the total land area of approximately 526 square miles that make up Knox County. Knoxville, the County seat, is about 50 miles west of the North Carolina state line.

The City of Knoxville's population in the 2000 census is 173,890 - it is the largest incorporated municipality in the County. The 2000 census also reports that Farragut, the only other municipality in the County, has a population of 17,720. Knoxville has a land area of approximately 93 square miles within its corporate limits and is located on the Tennessee River near the geographic center of East Tennessee.

### ***Manufacturing and Commerce***

Located in the northeastern portion of the State, the County, along with Anderson, Blount, Loudon, Sevier, and Union counties, is part of the Knoxville Metropolitan Statistical Area (MSA). Because of its central location in the eastern United States, the County metropolitan area serves thousands of industrial and commercial customers in a concentrated eight-state area. It is within 500 miles of approximately one-third of the population of the United States. For many years the County has been known as one of the South's leading wholesale markets. Based on the 1998 census, there are more than 950 wholesale distribution houses, 1,980 retail establishments, and over 5,000 service industries, located in the County.

The area is the trade center for a 42-county region in East Tennessee, Kentucky, Virginia and North Carolina, which serves over two million people. It also is the cultural, tourist and professional center for this region.

Manufacturing firms in the MSA produce everything from shoulder pads for professional football teams to medical devices, electronic components, chemicals, manufactured housing, apparel, and automobile parts. Of the 889 manufacturing firms in the MSA, over half (476) are in Knox County.

### ***Industrial Investment***

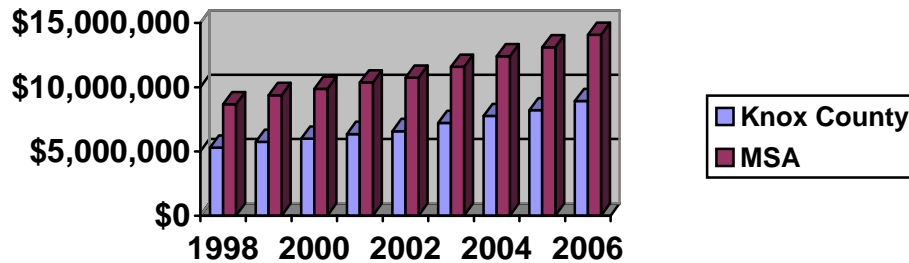
The County's business park activity continues. So much so, that previous five-year Capital Improvement Plans have included significant investments in new land to meet the growing demand for land available for business location and expansion. With the Oak Ridge National Lab, the under construction Spallation Neutron Project, Tennessee Valley Authority Headquarters, the University of Tennessee so close, Knox County offers premier location opportunities for high-technology and precision manufacturing firms. The anchor of this park is the 80,000 square foot National Transportation Center, which opened in the late fall of 2000. The County continued to show its vibrancy with four new businesses adding at least 665 new jobs to our community. In the Knox County region, there were 9 new businesses and 86 expansions adding over 1,641 new jobs and \$566 million in new investments in 2002. Plans are underway to extend one of EastBridge's roads which, when complete, will open up an additional 300 acres of industrial property. The County now offers Westbridge, Eastbridge, Pellissippi Corporate Center, Center Point, I-640 Business Park and the Fairview Technology Center as ready for new business to come to Knox County as well as for our own to expand and grow. This is really an exciting time for Knox County's future!

### *Commercial Development*

Four regional shopping malls, several major chain department stores, and a number of shopping centers, factory outlets, and other specialty stores meet the retail needs of Knox County citizens and visitors. Traditionally, Knox County accounts a solid majority of the retail sales and economic activity of the MSA. Knox County continues as a regional economic leader.

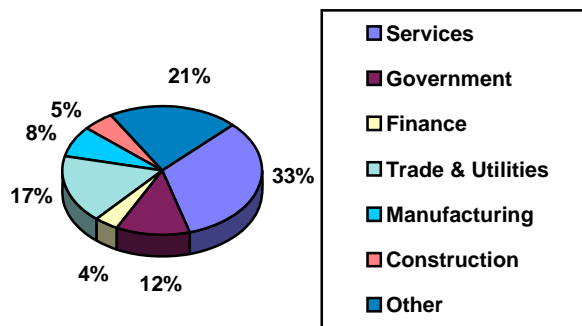
### **RETAIL SALES**

*(in thousands)*



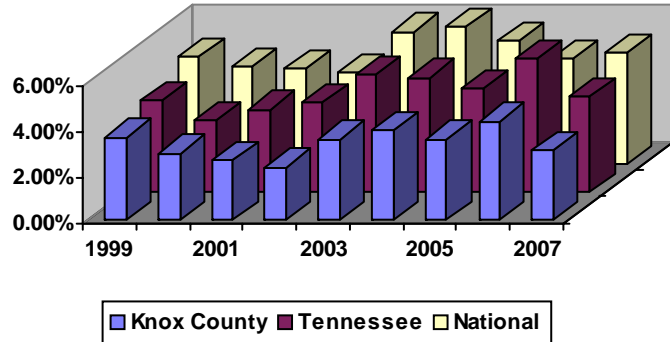
### *Employment Information*

The diversification of the County's labor force has been credited as the primary contributor to the area's relatively low unemployment rate.



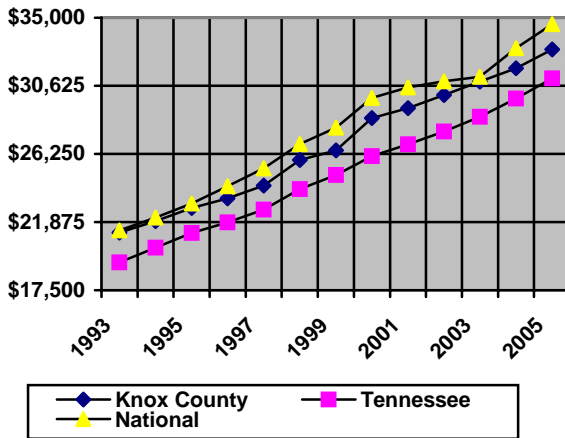
**UNEMPLOYMENT DATA**

Low unemployment, one indicator of economic activity, has been a hallmark of Knox County. For June 2007, the unemployment rates according to the State of Tennessee Department of Labor and Workforce Development for the County, state and nation stood at 3.3%, 4.1% and 4.5%, respectively.



**Economic Data**

**PER CAPITA PERSONAL INCOME**



Historically, due to the County's strong economic base and its status as a regional center of commercial activity, the County's level of per capita income has exceeded the State level.

## *Tourism*

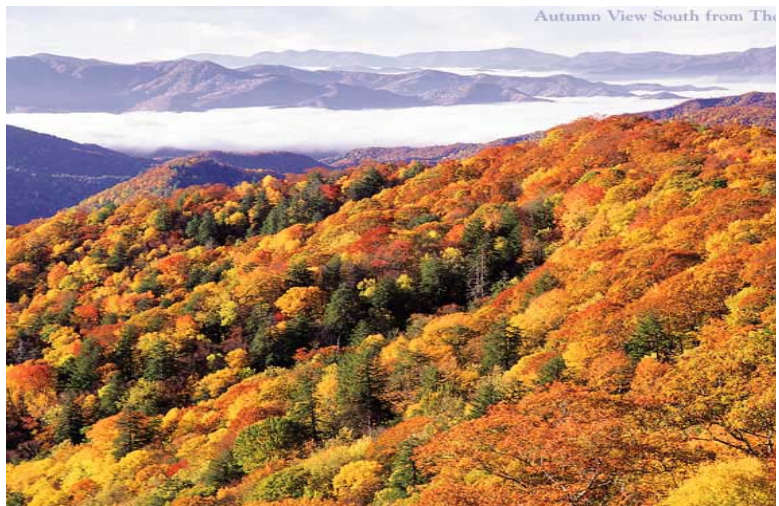


*Knoxville & Knox County – home to both the U.T men’s and 7-time national champion women’s basketball teams. Thompson Boling Arena is the second-largest campus basketball facility in the nation, seating 24,535. The site is also used for other events such as concerts, conventions, and other sporting events.*

Although industry is frequently considered the core of an economic base, secondary and tertiary activities also make important contributions to economic development. The convention and tourism business contribute to the County's economic base by drawing income into the region -- resulting in employment and investment opportunities in tourist-related facilities.

The influx of tourist dollars provides stimulus to economic activity in the area. Two major interstate highways, I-40 and I-75, flow through the County, and the southern end of I-81 terminates just outside the County. The interstate and highway systems put the County within a day’s drive of more than 70 million people.

The County is the principal gateway to the Great Smoky Mountains National Park located approximately 40 miles to the southeast. The park, over 500,000 acres, extends over the States of Tennessee and North Carolina. Visitors numbered nearly ten million annually, ranking it as the most visited National Park in the United States.





Major attractions in the Smokies include Gatlinburg (approximately 40 miles southeast of the County), a tourist town in the mountains with overnight accommodations for over 60,000 people, and Pigeon Forge (approximately 20 miles southeast of the County), located at the foothills of the mountains with overnight accommodations for over 40,000 people. Numerous restaurants, gift and craft shops, along with a ski lodge, ski lifts and tramway, make Gatlinburg a year-round resort town. Pigeon Forge is known for being home to hundreds of retail outlets and Dollywood, a theme park developed by the country music singer, Dolly Parton.

## ***FINANCIAL INFORMATION***

### ***Internal Controls***

County management is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the County are protected from loss, theft or misuse and to ensure adequate accounting data are compiled to allow for the preparation of the financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the County is responsible for adequate internal control structures in place to ensure compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by management.

### ***Budgetary Controls***

In addition, the County maintains intensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget appropriated by the County Commission. Activities of the general fund, selected special revenue funds and the debt service fund are included in the budget. Project length budgets (as well as an annual budget for some projects) are adopted for the capital projects funds. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) for the County is at the major category level within divisions of departments. The major categories are: Personal Services, Employee Benefits, Contracted Services, Supplies and Materials, Other Charges, Debt Service and Capital Outlay.

As demonstrated in the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management.

### ***Cash Management Policies and Practices***

The County has a formal investment policy. Investment decisions are made by an investment committee in consultation with the Knox County Trustee. Investment options, policies, and practices defined in the policy, are based on the required liquidity of the available funds. Investments for operating needs, capital needs, and any surplus funds each have different levels of risk tolerance. Operating funds, whose primary objective is the preservation of principal, have the lowest level of risk tolerance and are therefore invested in highly liquid, low risk instruments. Capital funds, whose primary objective is the preservation of principal and sufficient liquidity to meet capital funding needs, are subject to some volatility in risk tolerance depending on when payment for projects is due. Surplus funds, whose primary objective is to provide income for future use, have the highest level of risk tolerance in order to obtain additional income. Regardless of the type of funds invested, all investments are made in accordance with state statutes.

It is the County's policy to minimize credit and market risk while maintaining a competitive yield on its portfolio. Accordingly, the County's and the Board's deposits were either insured by federal depository insurance or collateralized. The investments held by the County at June 30, 2006, excluding the portion invested in the State Treasurer's investment pool and investments of the Pension Trust funds, consisted of securities of the U.S. Government or its agencies.

Cash temporarily idle during the year was invested in an investment sweep account, certificates of deposit, and obligations of the U.S. Government, corporate bonds, and the State of Tennessee Local Government Investment Pool. The majority of interest earnings are transferred to the County's Debt Service fund to offset future debt service costs.

### ***Pension Trust Operations/Employee Retirement Benefits***

The employees of the County and the Board participate in a variety of retirement plans. The majority participate in a defined contribution plan (*County DC Plan*). Those not participating in the defined contribution plan participate in the County or the Board's respective defined benefit plans or the Tennessee Consolidated Retirement System. Both the County's and the Board's defined benefit plans are closed to new members. Participation in one of these plans for eligible employees is mandatory and a condition of employment. Employees are given the option to voluntarily participate in the new *Medical Retirement Plan* (a defined contribution plan).

The defined contribution plans offer participants a variety of investment options depending on their sensitivity to risk in their personal portfolio. Plan benefits depend solely on amounts contributed to the respective plans plus investment earnings. The County determined for financial reporting purposes, since it acts as the administrator of these plans and maintains considerable fiduciary responsibility for these plans, the activities of the defined contribution plans should be reported as pension trust funds. The operations of the defined contribution plans are recorded as pension trust funds in the County's reporting entity. The County has taken action to increase yields and decrease fees and risk in the defined benefit plan. As of this report date, the County is well positioned to meet the requirements of the plan.

### ***Risk Management***

The County has a comprehensive risk management and self-insurance program for all areas of risk management including claims for employee health insurance, worker's compensation insurance and other claims and judgments against the County. The county has accounted for these activities in two internal service funds where resources are accumulated to meet potential losses. As part of the overall risk management strategy, during this fiscal year, the County developed and implemented discounts for employee health insurance for wellness initiatives and for Tobacco cessation. These efforts and others position the County to better address the complex healthcare market while maintaining competitive benefits for employees. An analysis of these types of claims over the years has enabled the County to implement specific safety measures to reduce the risk of loss.

### ***OTHER INFORMATION***

#### ***Awards***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Knox County Government for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the eleventh consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our present report continues to meet the program's requirements and we are submitting it to the GFOA to determine eligibility for another certificate.

The County also received, for the eleventh consecutive time, the GFOA Award for Distinguished Budget Presentation for its 2007 Annual Operating Budget. In qualifying for the award, the County's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

*Acknowledgments*

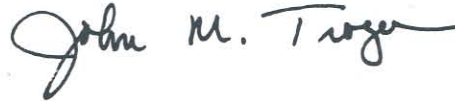
The preparation of the CAFR was made possible by the dedicated service of the Department of Finance. Those involved have our sincere appreciation for the individual and collective contributions made in the preparation of the report. It is especially important to recognize the additional efforts required to meet an aggressive reporting schedule. The efforts of Ann Acuff, Jack Blackburn, Chris Caldwell, Jeff Clark, Dora Compton, Susan Corlew, Patti Galvan-Balzer, Peter Lin, Jason Lay, David Skinner, Amanda Smart, John Troyer and Melanie Wilck all went above and beyond the call of duty to design and generate this report. Thank you very much for your professional dedication in this effort. Thank you to the entire Department of Finance for your efforts to "get the job done well," every day. You serve the citizens of Knox County very well.

Recognition and appreciation are also extended to the County Commission and the Board of Education for their continued dedication in planning and conducting the operations of the County and the Board in a financially responsible and progressive manner.

Sincerely,



Michael R. Ragsdale  
Knox County Mayor



John M. Troyer, CPA  
Senior Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Knox County  
Tennessee

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Charles S. Cox*

President

*Jeffrey R. Emery*

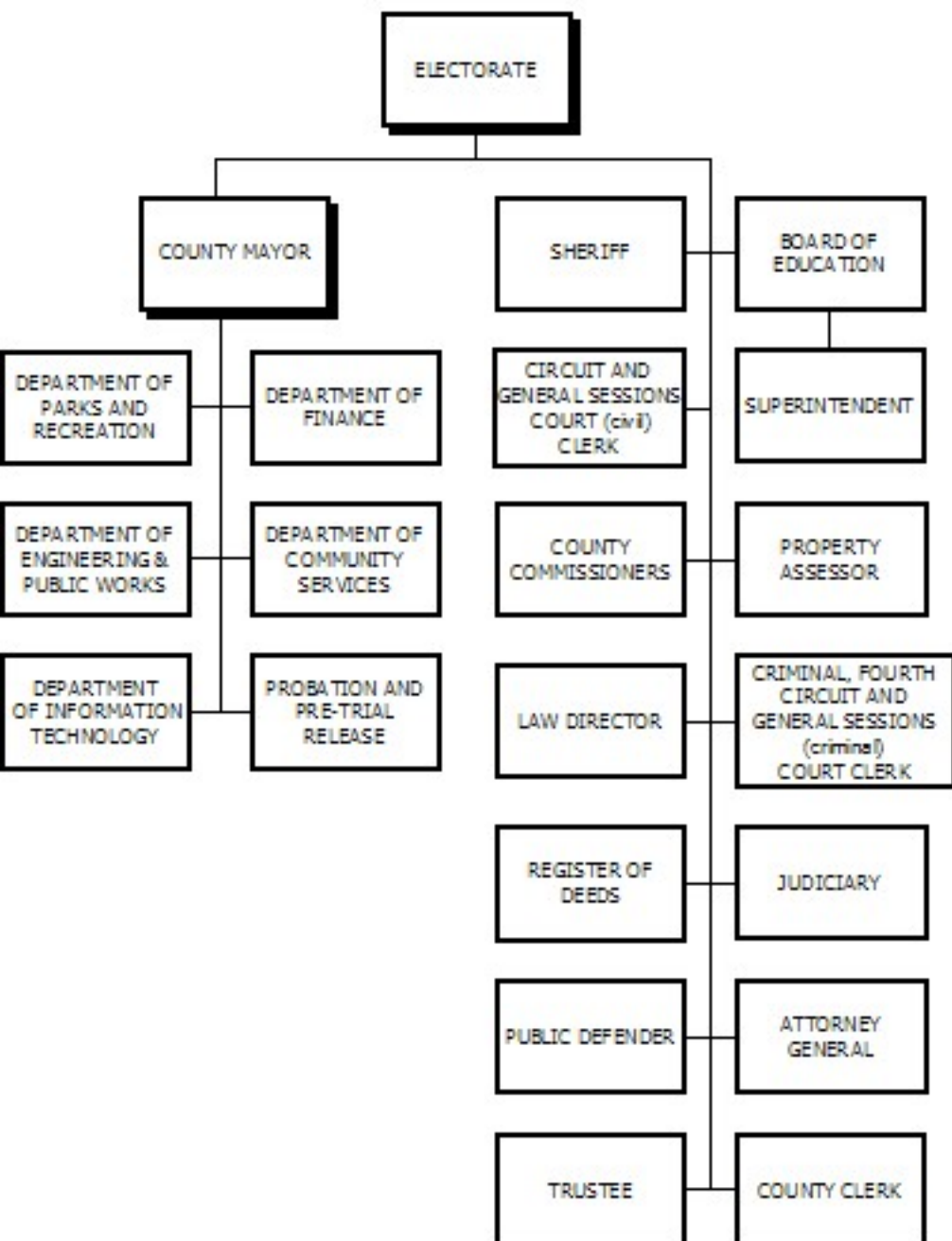
Executive Director

**Knox County, Tennessee**  
**Roster of Publicly Elected Officials**  
**As of December 18, 2007**



**Knox County**

Assessor of Property - John R. Whitehead  
 Attorney General - Randall Nichols  
 Circuit and General Sessions (civil) Court - Cathy Quist  
 County Clerk (Acting) George Stooksbury  
 County Mayor - Michael R. Ragsdale  
 Criminal, 4th Circuit & General Sessions (criminal) - Martha Phillips  
 Law Director - John Owings  
 Public Defender - Mark Stephens  
 Register of Deeds (Acting) Nick McBride  
 Sheriff (Acting) Tom Spangler  
 Trustee (Acting) Mike Lowe



**Board of Commissioners:**

Mike Hammond	Craig Leuthold
Phil Ballard	Scott Moore
Mark Harmon	Tony Norman
Ivan Harmon	Paul Pinkston
Greg Lambert	R. Larry Smith
	Thomas Strickland

**Board of Education:**

Robert Bratton	Rex Stooksbury
Sam Anderson	Cynthia Buttry
Thomas Deakins	Karen Carson
Indya Kincannon	Daniel P. Murphy
	Jim Williams



Report of Independent Auditors

608 Mabry Hood Road  
Knoxville, TN 37932

865-583-0091 phone  
865-583-0560 fax

[www.rodefermoss.com](http://www.rodefermoss.com)

Knox County Mayor and the  
County Commissioners of  
Knox County, Tennessee

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Knox County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise Knox County's basic financial statements as listed in the table of contents. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Knox County as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2007, on our consideration of Knox County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the other required supplementary information on pages 3 through 16 and 95 through 98, respectively, are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Knox County's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, miscellaneous schedules, and the tables in the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

*Rodefer Moss & Co, PLLC*

Knoxville, Tennessee  
December 18, 2007



## Management's Discussion and Analysis

As management of the Knox County Government, we offer readers of the Knox County Government's financial statements this narrative overview and analysis of the financial activities of the Knox County Government for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-xix of this report. All amounts, unless otherwise indicated, are expressed in dollars.

### Financial Highlights

- The assets of the Knox County Primary Government Total Governmental Activities exceeded its liabilities at the close of the most recent fiscal year by \$196,422,835 (net assets), which compares to \$230,071,652 in 2006. The assets of the Knox County Government Total Reporting Unit exceeded its liabilities at the close of the most recent fiscal year by \$578,122,785 (net assets), which compares to \$595,233,479 in 2006. However, most of the County's net assets balance is invested in capital assets, which will be used in the County's ongoing operations. Conversely, the unrestricted net assets amounts of \$205,476,472 (deficit) and \$130,933,635 (surplus) for the Primary Government and Total Reporting Unit, respectively, represent amounts that will be needed to meet the government's obligations to citizens and creditors and that will be financed with future tax revenues. This is compared to prior year amounts of \$204,425,615 (deficit) and \$122,909,779 (surplus), respectively.
- Of the Primary Government's \$196,422,835 net assets balance, \$333,733,504 was invested in Capital Assets (net of related debt), \$32,657,102 was restricted for Debt Service, and \$35,508,701 was restricted for Other Purposes. The difference of \$205,476,472 (unrestricted net assets) is reported as a deficit, as opposed to available funds that normally could be used to meet the government's ongoing obligations to citizens and creditors. The reported deficit comes from the process by which the County issues debt on behalf of the Knox County Board of Education. The County issues general obligation debt for the Board, the proceeds of which are used for School projects resulting in Board assets. The Board then makes debt service payments to the County from future budgets. Since the debt is issued in the County's legal name, the debt is reported as a liability of the Primary Government. The unrestricted net deficit demonstrates the expectation of the Board to fund its portion of the total debt in future years.
- The Primary Government's total net assets decreased by \$33,648,817, representing 11.2% of the \$299,776,655 expenses of the Primary Government. This compares to the reported 2006 decrease of \$74,978,109, or 23.0% of 2006 expenses totaling \$325,828,671. The primary reason for the difference is the amount borrowed on behalf of, and remitted to, the Board of Education. In 2007, the amount was \$18.5 million while in 2006 it was \$27.0 million. Also, at the Mayor's suggestion, the County through its Primary Government paid for funding for the new Hardin Valley High School and for School Property/Plant upgrades (PPUs) totaling nearly

\$11 million in 2007 and \$45 million in 2006. These amounts are classified as expenses in the Primary Government operations. Also, in 2006 the County made a one-time expenditure from fund balance toward a Technology Park. Without those payments, the Primary Government would have approximately broken even in both years. As the individual funds are budgeted to “break even” prior to depreciation expense, these results demonstrate how closely matched revenues and expenses were -- as the County continued its long record of operating within the approved budget. The Total Reporting Unit’s total net assets decreased by \$17,110,694, or 2.3% of 2007 expenses of \$738,565,069. This compares to the 2006 decrease of \$5,232,829, or 0.7% of 2006 expenses totaling \$737,942,075. These amounts include charges for depreciation. Included in the government-wide expenses is depreciation expense of \$21.0 million and \$8.2 million for the County (excluding Internal Service Funds) and Board of Education, respectively. Without depreciation expense, the Total Reporting Unit would have reported a net surplus of \$12.1 million, or 1.6% of total expenses.

- As of the close of the current fiscal year, the Knox County Government’s governmental funds reported combined ending fund balances of \$111,193,271, an increase of \$1,451,826 in comparison with the prior year balances of \$109,741,445. The increase again demonstrates the close matching of revenues and expenditures. Of the total fund balance amount, \$80,423,170 (72%) is available for spending at the government’s discretion (unreserved fund balance). This compares to the total unreserved fund balance of \$89,622,045 (82%) for the prior year. Unreserved and undesignated fund balance for the County’s governmental funds increased from \$74,432,869 to \$74,807,415, an increase of \$374,546, again as a result of the close matching of revenues and expenditures.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$46,495,324 (33% of total General Fund expenditures of \$141,544,934), compared to \$49,774,563 (38% of last year’s expenditures of \$131,463,280). The undesignated portion of the County’s General Fund increased to \$43,467,482, or 30.7% of General Fund expenditures, compared to the prior year end balance of \$39,408,516, or 30.0% of General Fund expenditures. This demonstrates the County’s continued fiscal discipline and positions the County well to meet unexpected emergencies, temporary cash needs and other uncertainties our County faces in the normal course of everyday operations.
- The Knox County Government’s total bonded debt increased by \$46,019,533 (8.6 percent) during the current fiscal year, compared to the prior year total of \$534,497,803. Of the current year total of \$580,517,336, \$323,943,925 pertains to County general government activities and \$256,573,411 pertains to the Knox County Schools Component Unit. The key factors in this increase were: (1) The issuance of \$69 million in Loan Agreements to fund Capital Projects in accordance with the County’s Five-Year Capital Improvements Plan, and (2) Principal paid of \$23 million.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Knox County Government’s basic financial statements. The Knox County Government’s basic financial

statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Knox County Government's finances, in a manner similar to a private-sector business.

*The statement of net assets* presents information on all the Knox County Government's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Knox County Government is either improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Knox County Government that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Knox County Government include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. Knox County Government reports no business type activities.

The government-wide financial statements include the Knox County Government itself (known as the *primary government*), and legally separate entities for which Knox County Government is financially accountable (component units): school district – the Board of Education (The Board), a legally separate Emergency Communications District, and the Knox County Railroad Authority for which the Knox County Government is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Emergency Communications District issues separate financial statements. The School Board and the Railroad Authority do not issue separate financial statements. The government-wide financial statements can be found on pages 17 and 18 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Knox County Government, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Knox County Government can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate this comparison between *governmental funds* and *governmental activities*.

The Knox County Government maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Constitutional Officers Special Revenue Fund, Capital Projects Public Improvement Fund and the Debt Service Fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Knox County Government adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund for information in the Required Supplemental Information section of the report. For a more detailed demonstration of budgetary compliance, the County also issues a separate Budget Report to the Citizenry, which is available at the County Finance Office.

The basic governmental fund financial statements can be found on pages 19-22 of this report.

**Proprietary funds.** There are two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Knox County Government does not use enterprise funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Knox County Government's various functions. Knox County Government uses internal service funds to account for its fleet service operations, mailroom operations, employee benefits activities, retirement office operations, self-insurance activities, central maintenance operations, technical support operations, and fleet capital leasing activities. Because these services benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The eight internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Knox County Government's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 26 and 27 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-94 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Knox County Government's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 95-98 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented on pages 112-142. Combining and individual fund statements for internal service funds can be found on pages 143-161 of this report.

### **Government-wide Financial Analysis**

Net assets may serve over time as a useful indicator of a government's financial position. The Total Reporting Unit assets exceeded liabilities by \$578,122,785 at the close of the most recent fiscal year, which compares to \$595,233,479 from last year. The Primary Government's net assets were \$196,422,835, which compares to last year's net assets of \$230,071,652. This is in line with the County's expectations.

**Knox County, Tennessee**  
**Net Assets - Primary Government -- Governmental Activities**

	<b>June 30,</b>	
	<b>2007</b>	<b>2006</b>
Current and Other Assets	\$ 335,464,378	\$ 318,976,749
Capital Assets	662,751,166	654,899,412
Total Assets	998,215,544	973,876,161
Long-term Liabilities Outstanding	561,146,094	517,027,387
Other Liabilities	240,646,615	226,777,122
Total Liabilities	801,792,709	743,804,509
Net Assets:		
Invested in Capital Assets, net of Related Debt	333,733,504	365,746,439
Restricted	68,165,803	68,750,828
Unrestricted (Deficit)	(205,476,472)	(204,425,615)
Total Net Assets	\$ 196,422,835	\$ 230,071,652

By far the largest portion of the Knox County Government's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Knox County Government uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Knox County Government's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**KNOX COUNTY GOVERNMENT'S Net Assets**

An additional portion of the Knox County Primary Government's net assets represents resources that are subject to external restriction on how they may be used. These include restricted for Debt Service \$32,657,102 (last year \$30,625,114) Capital Projects \$32,605,136 (last year \$36,545,814) and Other Purposes \$2,903,565 (last year \$1,579,900). The remaining balance of *unrestricted net assets* deficit of \$205,476,472 closely compares to the prior year deficit of \$204,425,615, which is in line with the County's expectations as operations were budgeted for on a break-even basis. The unrestricted net assets balance represents funds that would normally be available to be

used to meet the government's ongoing obligations to citizens and creditors. The primary reason for the deficit balance is due to the County's recognition of long-term debt that will be funded through tax collections in future years. This helps to match the benefits of a long-term asset with the constituency who pays for it. The County issues debt for the Knox County Board of Education. As the Board and the County Commission identify school capital needs that require funding from bonds (through the long-term capital planning process), the County issues those bonds on behalf of the School Board. Repayment of the bonds is funded through the School operating budget each year. Since the County is the legal entity issuing the bonds, the bonds are considered a liability of the County, while the associated capital assets are reported with the Knox County Board of Education. The payments of the debt related to the bonds issued on behalf of the School Board are made from the Board's budgeted funding each year. At June 30, 2007, the amount of bonds and notes issued by the County on behalf of the School Board still outstanding was \$256,573,411 (excluding unamortized premium) compared to prior year of \$248,346,448. If this liability were shown with the Board's amounts to match the capital assets, the County would have had positive unrestricted net assets.

At the end of the current fiscal year, the Knox County Government is able to report positive balances in all three categories of Total net assets -- for the Total Reporting Unit, for the Primary Government and for each of its separate component units. The same situation held true for the prior fiscal year. The Total Reporting Unit's net assets decreased by \$17,110,694 during the current fiscal year (\$5,232,829 reported last year). These activities include a \$5 million contribution toward a technology park in Blount County -- which will benefit the County for years to come. These activities also include \$26.9 million for depreciation (\$21.0 million in Primary Governmental Activities and \$8.2 million related to the School Board's operations). The County finished very much in line with expectations. Depreciation is a non-cash expense that has not traditionally been considered at the individual fund level. These amounts again demonstrate the County's strong local economy combined with its ability and willingness to live within its means.

**Governmental activities.** Governmental activities decreased the Knox County Government's net assets by \$33,648,817. Included in this amount is a payment of \$29,174,787 to the Component Unit School Board and \$4,148,000 to the School Board for the Great Schools Partnership, for a total of \$33,322,787. The amount paid to the School Board includes \$18.5 million in Bond proceeds to the School Board for funds borrowed on the Board's behalf -- which the Board will repay as the related bond payments come due. This net effect also included payments of \$10,750,000 (\$44,994,500 in the prior year) to the School Board for capital projects including the new Hardin Valley High School and PPU improvements. Excluding those payments, governmental activities decreased net assets by \$326,030. The County had intended for operations to break even during the current year; \$326,030 is .1% of the current year primary government expenses of \$299,776,655. The current year results compare with the prior year's \$74,978,109 decrease (which would have been a \$4,404,141 increase excluding the payments to the Component Unit Schools Board, Great Schools Partnership and \$5 million investment in a Technology Park Partnership with Blount County, the City of Alcoa and the City of Maryville, for a total of \$79,382,250).

School Capital Projects decreased \$1,684,724 in the current year, compared to an increase of \$46,263,903 in the prior year. The difference resulted primarily from the spending down in the current year of amounts paid to the Board from bond proceeds borrowed on behalf of the Board. As the projects proceed, the funds will decline. The Knox County School Board activity increased the County's total net assets by \$15,572,610. This increase is primarily due to the payments from the County.

The Total Reporting Unit recorded a deficit of \$17,110,694, which is 2.3% of Total Expenses of \$738,565,069. Depreciation expense for the Total Reporting Unit totaled \$30.5 million (\$21.0 million for the Primary Government, \$8.2 million for the Board, and \$1.3 million for the District) which is \$13.4 million more than the reported deficit. The County's intent at the start of the year was to "break even" before depreciation. These results confirm the County has again demonstrated its financial discipline in another successful year.

### **KNOX COUNTY GOVERNMENT'S Changes in Net Assets**

- The County Property Tax Rate was \$2.69, the same as for the prior fiscal year. This is another indication of the County's commitment to fiscal conservatism.

#### **Knox County Primary Government's Changes in Net Assets**

	<b>Governmental Activities</b>	
	<b>Primary Government</b>	
	<b>2007</b>	<b>2006</b>
<b>Revenues</b>		
Charges for Services	\$ 39,594,141	\$ 40,263,245
Operating Grants and Contributions	20,535,731	23,799,473
General Revenues:		
Taxes	160,845,676	151,657,741
Interest Income	8,179,185	7,142,137
Other Revenues	36,388,422	27,521,207
Contracts with Governments and Citizens	584,683	466,759
<b>Total Revenues</b>	<b>\$ 266,127,838</b>	<b>\$ 250,850,562</b>
<b>Expenses:</b>		
Finance and Administration	\$ 45,455,625	\$ 37,137,558
Administration of Justice	15,277,291	16,568,869
Public Safety	66,700,896	61,934,468
Public Health and Welfare	41,159,224	43,987,299
Social and Cultural Services	22,529,501	19,562,356
Other General Government	29,875,295	24,133,418
Highways	23,683,431	24,718,942
Debt Service	25,920,605	23,403,511
Education Payment to Component Unit	29,174,787	74,382,250
<b>Total Expenses</b>	<b>\$ 299,776,655</b>	<b>\$ 325,828,671</b>
<b>Change in Net Assets</b>	<b>\$ (33,648,817)</b>	<b>\$ (74,978,109)</b>
Net Assets - July 1	230,071,652	305,049,761
Net Assets - June 30	<b>\$ 196,422,835</b>	<b>\$ 230,071,652</b>



Once again, Education was the largest single activity by far for the fiscal year. With the County's contributions toward the Schools -- \$18.5 million borrowed on their behalf, \$6 million toward the Hardin Valley High School and \$4.75 million toward PPU upgrades and \$4,148,000 toward the Great Schools Partnership, the change in net assets for this year virtually matched the County's special contributions to the Schools. Public Safety has been a focus of the Mayor – especially increasing the pay of patrol officers. Other increases in expenses closely paralleled inflation and growth in the demand for services.

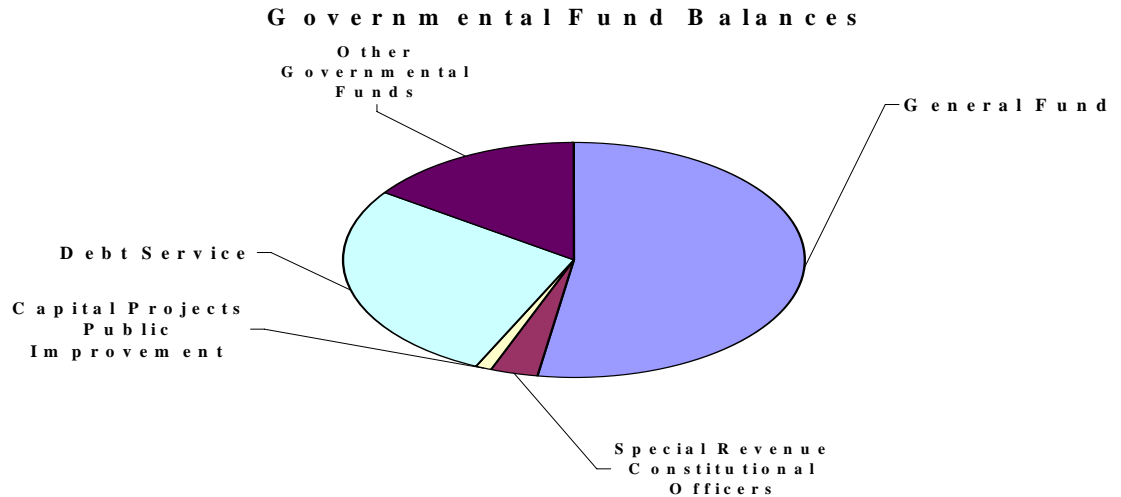
**Knox County's Total Reporting Unit -- Governmental Activities**

	<u>2007</u>	<u>2006</u>
Finance and Administration	\$ 41,307,625	\$ 37,137,558
Administration of Justice	15,277,291	16,568,869
Public Safety	66,700,896	61,934,468
Public Health and Welfare	41,159,224	43,987,299
Social and Cultural Services	22,529,501	19,562,356
Other General Government	30,173,689	24,211,227
Highways	23,683,431	24,718,942
Debt Service	25,920,605	23,403,511
Education	465,510,395	479,949,841
Emergency Communications	6,302,412	6,468,004
Total	<u>\$ 738,565,069</u>	<u>\$ 737,942,075</u>

**Financial Analysis of the Government's Funds**

As noted earlier, the Knox County Government uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Knox County Government's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Knox County Government's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year and to help ensure future stability of governmental operations.



As of the end of the current fiscal year, the Knox County Government's governmental funds reported combined ending fund balances of \$111,193,271, an increase of \$1,451,826 in comparison with the prior year total of \$109,741,445. The unreserved, undesignated portion is available for use in the County's discretion. The Capital Projects Public Improvement Fund will be spent down in 2007-08 to continue the County's Five-Year Capital Improvements Plan. The fund balances are for: 1) to liquidate contracts and purchase orders of the prior period and specially reserved items (\$30,770,101), 2) to be used for specific designated items (\$3,031,487), 3) to be used in conjunction with special revenue purposes (\$10,392,457), or 4) capital projects (\$2,349,572) or 5) Debt Service (\$26,613,457). All of these amounts are in line with the County's expectations and intentions. The County continues to show its financial strength and stability.

The General Fund is the chief operating fund of the Knox County Government. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$43,467,482 compared to \$39,408,516 last year, while total fund balance finished with a temporary increase up to \$55,801,975 compared to last year's \$57,598,542. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 30.7% of total General Fund expenditures which compares to 30.0% last year, while total fund balance represents 39.4% of that same amount compared to 43.8% last year. These amounts indicate that the County maintained the strong relationship between the Fund Balances and the size of its Budget and is continuing to hold steady in its financial stability and improve in its flexibility.

The total fund balance of the County's General Fund decreased by \$1,796,567 during 2007, compared to last year's \$8,864,466 increase. The undesignated portion grew by \$4,058,966 compared to \$2,657,286 last year -- continuing the County's positive trend. Key factors in the positive outcomes for the General Fund are as follows:

- Revenues exceeded Budget in seven of nine categories for a net \$7,117,538 positive variance, or 4.8% above Budget. This result shows how the County's economy

continues to grow and how the County is budgeting revenues with a conservative posture. Local Revenues, which include Property and Sales Taxes (among others), exceeded Budget by \$3,418,628. Some of the positive results were due to one-time collections – for example, the County’s continuing work to ensure County taxes are correctly remitted from the State and for extra effort in collecting back taxes. Some of the positive results are due to the continuing growth in the County’s economy.

- The General Fund Reserved Fund Balances increased by \$1,482,672 to \$9,306,651, while Designated Fund Balances decreased by \$7,338,205. The designated fund balance decrease was primarily due to the County’s planned designation of General Fund savings toward the County’s five year Capital Plan. There was a temporary increase in the prior year, which was reduced in the current year as the savings were applied to the Capital Plan in fiscal 2007. The General Fund Undesignated Fund Balance – the most clear measure of the County’s financial stability and flexibility – increased by \$4,058,966 to \$43,467,482.
- The General Fund departments, in their normal conservative pattern, showed their fiscal responsibility by turning back unspent budget of \$5,296,395 (3.6% of the final allowed budget of \$146,841,329) for the fiscal year (compared to last year’s results of \$6,876,685, or 5.0% of the budget of \$138,339,965).
- As intended, the County was able to fund a designated payment of \$5.5 million to the five-year Capital Plan through the conservative budgeting and spending patterns of the County General Fund. This properly matches one-time savings with one-time spending. This practice also allowed the County to help keep debt levels moderate, while responsibly implementing needed capital improvements. The \$5.5 million is included in the designated fund balance of the General Fund as of June 30, 2006, and was transferred to the Capital Improvements Fund in 2007.

The Debt Service Fund has a total fund balance of \$32,657,102, which compares to \$30,625,114 last year. The undesignated portion totaled \$26,613,457 and \$24,116,469 in 2007 and 2006, respectively. The net increase in fund balance during the current year was \$2,031,988, compared to a decrease of \$4,589,759 last year. The undesignated portion of the Debt Service Fund increased in the current year by \$2,496,988, compared to a decrease of \$4,789,759 last year. The prior year decrease was due to a \$5,000,000 economic development initiative to build a technology park in partnership with Blount County, the City of Maryville and the City of Alcoa. During the current year, the County experienced savings from conservatively budgeting for its expenses resulting from its variable rate debt, as well as gains resulting from conservatively budgeting interest revenue. The County plans to continue its conservative financial planning.

**Proprietary funds.** The Knox County Government’s proprietary fund statements provide underlying detail information included in the government-wide financial statements.

Unrestricted net assets of the Internal Service Funds at the end of the year amounted to \$8,034,227, compared to \$5,351,604 at the end of 2006. The increase of \$2,682,623 was primarily due to the \$1,470,456 increase in the Self Insurance Fund – which is related to the County’s total risk management efforts. The Internal Service Funds are used to accumulate and distribute costs as a planning tool, and are expected to break even over the long run. The total change in net assets for all Internal Service Funds was a \$1,411,083 increase – which was less than 2.7 % of the total Charges for Services. The

increase was primarily due to risk management efforts in the workers' compensation and general liability areas.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were within the normal course of County business and totaled a net \$3,306,469 increase in net budgeted spending. Included in the increases were carryover appropriations for projects not completed during the previous fiscal year, appropriations for close-out of the fiscal year and several one-time projects from one-time funding sources.

The County continued to show the results of conservative budgeting and careful stewardship of approved spending. These qualities were again demonstrated by positive actual results, including revenues exceeding amended budgetary estimates by \$7,117,538 and expenditures less than budgetary provisions by \$5,296,395. The overall General Fund Balance decreased by \$1,796,567. This is less than the budgeted decrease of \$10,513,568, which included the planned transfer from the General Fund Balance of \$5.5 million to the Capital Improvement Plan. The final positive budget variance of \$8,357,225 resulted from the realization of revenues in excess of the budget combined with savings from expenditures less than the budget. The undesignated portion of the County's General Fund Balance increased by \$4,058,966 (or 2.8% of allowed expenditures) to \$43,467,482. The County's intended to break even for fiscal 2007, and this increase reflects a stronger than expected economy and prudent management of expenses.

### **Capital Asset and Debt Administration**

**Capital assets.** The Knox County Government Total Reporting Unit reported a total balance of capital assets (net of accumulated depreciation) for its governmental activities as of June 30, 2007, of \$951,447,183, which compares to the prior year total of \$927,998,778. This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The net increase in the Knox County Government's investment in capital assets for the current fiscal year was \$23,448,405 (2.6 percent), most of which relates to spending within the County's Five-Year Capital Plan.

Spending for major capital asset events during the current fiscal year included the following: The new South Knox Senior Center and the Veterans' Nursing Home, various libraries, expansion of the Detention Facility, Cedar Bluff K-3 and Gibbs Elementary Schools, addition and renovations to Karns High School, and many road projects, and numerous other projects.

The County Primary Government's investment in capital assets for its governmental activities as of June 30, 2007 amounts to \$891,596,482, less accumulated depreciation of \$228,845,316, leaving a net book value of \$662,751,166. The prior year net book value totaled \$654,899,412, an increase of \$7,851,754 resulting from acquisition of capital assets in excess of current year depreciation and retirements. This investment in capital assets includes land and land improvements, buildings, equipment, infrastructure, and

construction in progress. Infrastructure assets are items that are normally immovable and of value only to the County, such as roads and streets, bridges, sidewalks, lighting systems, and similar items.

Additional information on the Knox County Government’s capital assets can be found in note III.C on pages 48-49 of this report and pages 181-183.

**Long-term debt.** At the end of the current fiscal year, the Knox County Government had total bonded debt outstanding of \$580,517,336, compared to \$534,497,803 at the end of 2006. All of the bonded debt was backed by the full faith and credit of the County government. \$256,573,411 of the total is outstanding debt which the government issued on behalf of the Board for school purposes. The remainder (\$323,943,925) of the Knox County Government’s debt represents bonds issued solely for general government purposes. In Fiscal 2007, the County issued \$69 million to fund the current year Capital Improvement Plan. Of these proceeds, \$50,450,000 was for General County projects, while \$18,550,000 was dedicated to the School Board. For comparison purposes, at the end of FY 2006, the County had \$286,151,355 in debt issued for County governmental purposes and \$248,346,448 in debt issued on behalf of the Knox County Schools.

**KNOX COUNTY GOVERNMENT’S Bonded Debt Changes during FY 2007:**

	<b>Primary Government</b>	<b>Board</b>	<b>Total</b>
<b>Rollforward of Debt:</b>			
Beginning Balance	\$ 286,151,355	\$ 248,346,448	\$ 534,497,803
Principal Paid	(12,657,430)	(10,323,037)	(22,980,467)
Issued Amounts	50,450,000	18,550,000	69,000,000
Ending Amount – Bonds	<u>\$ 323,943,925</u>	<u>\$ 256,573,411</u>	<u>\$ 580,517,336</u>

The Knox County Government’s total bonded debt increased by \$46,019,533 (8.6 percent) during the current fiscal year. The key factor in this increase was the issuance of the fiscal 2007 bonds of \$69 million to fund new capital spending in accordance with the County’s five year Capital Plan.

The Knox County Government maintains a “AA” rating from Standard & Poor’s and a “Aa2” rating from Moody’s for general obligation debt. Concurrent with the issuance of the County’s debt, both rating agencies confirmed their ratings for the County. This continued confidence from the rating agencies confirms the County’s commitment to financial integrity, stability and strength.

States statutes set no limit for the amount of general obligation debt a governmental entity may issue. Current debt outstanding for the County Government is \$580,517,336. This translates to approximately \$1,520 per capita using the 2000 census population. This compares to \$1,399 per capita last year.

Additional information on the Knox County's long-term debt can be found in the Notes to the Financial Statements of this report on pages 58-67.

### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for Knox County for June 2007 was 3.3% (subsequently even lower at 3.2% for September 2007), which is a decrease from the rate of 4.5% percent a year earlier. This compares favorably to the state's average rate of 4.1% percent for June 2007, and 5.6% for June 2006, and the national averages of 4.5% and 4.6% respectively. Knox County has the lowest unemployment rate of Tennessee's 6 Metropolitan Statistical Areas (MSA). This data was taken from the Tennessee Department of Labor and Workforce Development.
- Knox County has been leading the State in economic development and full employment for the past several years. While other areas have struggled with economic activity since the September 11, 2001 tragedy, our underlying economic basics continue to be sound, which is expected for Knox County. The current administration is committed to inspire economic activity with investments and jobs.
- The Knoxville leading index has sustained its positive year-over-year percent change indicating economic activity is at a higher level relative to last year. This is at a time when many areas and jurisdictions are experiencing a contraction in economic activity. Moderate growth is expected to continue in the near term, while the longer term has a much more positive outlook.

All of these factors were considered in preparing the Knox County Government's budget for the 2008 and 2007 fiscal years.

During the current fiscal year, unreserved, undesignated fund balance in the General Fund increased to \$43,467,482 from \$39,408,516. This increase is indicative of the County's ability and willingness to maintain financial stability. In addition, the County was able to transfer \$5.5 million in additional one-time savings, designated for one-time spending in the County's five-year Capital Plan. These items highlight conservative nature of County operations by spending less than is allowed through the adopted budget. Conservative revenue projections and conservative spending have long been strengths of Knox County's operations.

### **Requests for Information**

This financial report is designed to provide a general overview of the Knox County Government's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Knox County Government  
Department of Finance  
Suite 630  
City/County Building  
400 Main Street  
Knoxville, TN 37902



**KNOX COUNTY, TENNESSEE**

**Statement of Net Assets**

June 30, 2007

	<u>Primary Government</u>	<u>Component Units</u>			<u>Total Reporting Unit</u>
	<u>Total -- Governmental Activities</u>	<u>Knox County Board of Education</u>	<u>Knox County Railroad Authority</u>	<u>Knox County Emergency Communications District</u>	
<b>Assets</b>					
Cash and Cash Equivalents	\$ 137,420,118	\$ 65,337,102	\$ 14,245	\$ 6,124,710	\$ 208,896,175
Accounts Receivable	22,549,538	30,072,335	102,696	630,293	53,354,862
Property Taxes Receivable, net	128,472,881	108,067,105	-	-	236,539,986
Interest and Dividends Receivable	7,786	-	-	-	7,786
Notes Receivable	13,985,113	-	-	-	13,985,113
Investments	12,713,797	-	-	-	12,713,797
Due from Component Units	114,135	-	-	-	114,135
Due from Primary Government	-	38,409,394	-	25,872	38,435,266
Due from Other Governments	22,010	-	-	-	22,010
Advances to Other Governments	2,500,000	-	-	-	2,500,000
Inventories	286,471	1,114,109	-	-	1,400,580
Prepaid Items	612,410	1,311,718	-	-	1,924,128
Pension Asset	3,811,698	-	-	-	3,811,698
Equity Interest in Joint Venture	5,820,125	-	-	-	5,820,125
Advances to Component Unit	4,031,250	-	-	-	4,031,250
Capital Assets:					
Land and Construction in Process	136,364,732	47,001,978	-	181,197	183,547,907
Other Capital Assets, Net of Accumulated Depreciation	526,386,434	233,387,990	-	8,124,852	767,899,276
Deferred Bond Issue Costs, Net of Accumulated Amortization	3,117,046	-	-	-	3,117,046
<b>Total Assets</b>	<b>998,215,544</b>	<b>524,701,731</b>	<b>116,941</b>	<b>15,086,924</b>	<b>1,538,121,140</b>
<b>Liabilities</b>					
Accounts Payable	19,823,357	42,456,387	102,696	270,841	62,653,281
Due to Component Units	38,435,266	-	-	-	38,435,266
Due to Primary Government	-	86,126	-	28,009	114,135
Unearned Revenue	142,291,040	102,572,736	-	58,895	244,922,671
Accrued Interest	4,136,124	-	-	-	4,136,124
Accrued Pension Obligation	-	3,328,038	-	-	3,328,038
Advances from Primary Government	-	-	-	4,031,250	4,031,250
Self-insurance Liability	6,741,760	-	-	-	6,741,760
Long-term Obligations:					
Due in Less than One Year	29,219,068	1,519,900	-	1,437,699	32,176,667
Due in More than One Year	561,146,094	168,878	-	2,144,191	563,459,163
<b>Total Liabilities</b>	<b>801,792,709</b>	<b>150,132,065</b>	<b>102,696</b>	<b>7,970,885</b>	<b>959,998,355</b>
<b>Net Assets</b>					
Invested in Capital Assets	-	280,389,968	-	-	280,389,968
Invested in Capital Assets, Net of Related Debt	333,733,504	-	-	4,896,740	82,056,833
Restricted for:					
Debt Service	32,657,102	-	-	-	32,657,102
Capital Projects	32,605,136	14,527,307	-	-	47,132,443
Other Purposes	2,903,565	2,049,239	-	-	4,952,804
Net Assets - Unrestricted	(205,476,472)	77,603,152	14,245	2,219,299	130,933,635
<b>Total Net Assets</b>	<b>\$ 196,422,835</b>	<b>\$ 374,569,666</b>	<b>\$ 14,245</b>	<b>\$ 7,116,039</b>	<b>\$ 578,122,785</b>

**KNOX COUNTY, TENNESSEE**

**Statement of Activities**

For the Year Ended June 30, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				Total Reporting Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units			
					Governmental Activities	The Board	KCRA	The District	
<b>Primary government:</b>									
Governmental activities:									
Finance and Administration	\$ 41,307,625	\$ 20,508,747	\$ 1,270,545	\$ -	\$ (19,528,333)				\$ (19,528,333)
Finance and Administration-Payment to Component Unit	4,148,000	-	-	-	(4,148,000)				(4,148,000)
Administration of Justice	15,277,291	11,190,419	175,935	-	(3,910,937)				(3,910,937)
Public Safety	66,374,696	499,320	5,692,920	-	(60,182,456)				(60,182,456)
Public Safety-Payment to Component Unit	326,200	-	-	-	(326,200)				(326,200)
Public Health and Welfare	40,902,596	5,182,137	7,563,948	-	(28,156,511)				(28,156,511)
Public Health and Welfare-Payment to Component Unit	256,628	-	-	-	(256,628)				(256,628)
Social and Cultural Services	22,529,501	1,193,157	1,527,950	-	(19,808,394)				(19,808,394)
Agricultural and Natural Resources	425,395	-	1,000	-	(424,395)				(424,395)
Other General Government	29,449,900	1,020,361	2,694,234	-	(25,735,305)				(25,735,305)
Highways	23,683,431	-	1,609,199	-	(22,074,232)				(22,074,232)
Education - Payment to Component Unit	29,174,787	-	-	-	(29,174,787)				(29,174,787)
Debt Service - Interest and Fees	25,920,605	-	-	-	(25,920,605)				(25,920,605)
<b>Total primary government</b>	<b>\$ 299,776,655</b>	<b>\$ 39,594,141</b>	<b>\$ 20,535,731</b>	<b>\$ -</b>	<b>(239,646,783)</b>				<b>(239,646,783)</b>
<b>Component units:</b>									
Board of Education	\$ 432,187,608	\$ 13,452,161	\$ 172,995,678	\$ -	\$ (245,739,769)	\$ -	\$ -	\$ -	(245,739,769)
Knox County Railroad Authority	298,394	-	302,744	-	-	4,350	-	-	4,350
Knox County Emergency Communications District	6,302,412	3,562,338	1,118,619	-	-	-	(1,621,455)	-	(1,621,455)
<b>Total component units</b>	<b>\$ 438,788,414</b>	<b>\$ 17,014,499</b>	<b>\$ 174,417,041</b>	<b>\$ -</b>	<b>(245,739,769)</b>	<b>4,350</b>	<b>(1,621,455)</b>		<b>(247,356,874)</b>
<b>General Revenues:</b>									
Property Taxes					124,861,193	97,724,691	-	-	222,585,884
Sales Taxes					10,031,562	125,062,455	-	-	135,094,017
Lodging Taxes					5,286,419	-	-	-	5,286,419
Business Taxes					6,651,425	-	-	-	6,651,425
Wheel Taxes					10,347,460	1,459,461	-	-	11,806,921
Other Local Taxes					3,667,617	1,276,897	-	-	4,944,514
Interest Income					8,179,185	2,466,088	-	280,650	10,925,923
Payments from Primary Government					-	33,322,787	-	582,828	33,905,615
Other Revenues					36,236,016	-	-	-	36,236,016
Other Governments and Citizens Groups					584,683	-	-	1,719,140	2,303,823
Miscellaneous					152,406	-	-	-	152,406
<b>Total General Revenues</b>					<b>205,997,966</b>	<b>261,312,379</b>	<b>-</b>	<b>2,582,618</b>	<b>469,892,963</b>
Change in Net Assets					(33,648,817)	15,572,610	4,350	961,163	(17,110,694)
Net Assets, July 1					230,071,652	358,997,056	9,895	6,154,876	595,233,479
Net Assets, June 30					<b>\$ 196,422,835</b>	<b>\$ 374,569,666</b>	<b>\$ 14,245</b>	<b>\$ 7,116,039</b>	<b>\$ 578,122,785</b>

The Notes to the Financial Statements are an integral part of this statement.

**KNOX COUNTY, TENNESSEE**

**Balance Sheet  
Governmental Funds**

June 30, 2007

	<b>General</b>	<b>Special Revenue Constitutional Officers</b>	<b>Capital Projects Public Improvement</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 31,100,838	\$ 4,539,082	\$ 40,466,772	\$ 28,828,883	\$ 14,918,640	\$ 119,854,215
Receivables:						
Accounts	10,666,483	-	2,158,117	429,652	8,813,865	22,068,117
Property Taxes	99,789,355	-	-	28,474,950	208,576	128,472,881
Interest and Dividends	-	-	-	7,786	-	7,786
Notes	-	-	-	10,740,000	3,212,519	13,952,519
Investments	12,713,797	-	-	-	-	12,713,797
Due from Other Funds	4,019,202	-	2,500,263	200,000	888,592	7,608,057
Due from Component Units	108,860	-	-	-	-	108,860
Due from Other Governments	22,010	-	-	-	-	22,010
Advances to Other Governments	-	-	-	2,500,000	-	2,500,000
Inventories	133,868	-	-	-	5,876	139,744
Prepaid Items	607,969	-	-	-	1,446	609,415
Investment in Joint Venture	5,820,125	-	-	-	-	5,820,125
Advances to Other Funds	175,000	-	-	-	-	175,000
Advances to Component Unit	-	-	-	4,031,250	-	4,031,250
<b>TOTAL ASSETS</b>	<b>\$ 165,157,507</b>	<b>\$ 4,539,082</b>	<b>\$ 45,125,152</b>	<b>\$ 75,212,521</b>	<b>\$ 28,049,514</b>	<b>\$ 318,083,776</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts Payable and Accrued Liabilities	\$ 5,778,948	\$ -	\$ 5,799,390	\$ 568,434	\$ 4,742,503	\$ 16,889,275
Due to Other Funds	3,847,172	713,034	213,821	-	2,810,821	7,584,848
Due to Component Units	-	-	35,763,902	2,466,088	25,872	38,255,862
Deferred Revenue	99,729,412	-	328	39,520,897	4,909,883	144,160,520
<b>TOTAL LIABILITIES</b>	<b>109,355,532</b>	<b>713,034</b>	<b>41,777,441</b>	<b>42,555,419</b>	<b>12,489,079</b>	<b>206,890,505</b>
<b>Fund balances:</b>						
Reserved	9,306,651	-	12,605,044	6,040,000	2,818,406	30,770,101
Unreserved:						
Designated	3,027,842	-	-	3,645	-	3,031,487
Undesignated	43,467,482	3,826,048	(9,257,333)	26,613,457	-	64,649,654
Unreserved, reported in nonmajor:						
Special Revenue	-	-	-	-	10,392,457	10,392,457
Capital Projects	-	-	-	-	2,349,572	2,349,572
<b>TOTAL FUND BALANCES</b>	<b>55,801,975</b>	<b>3,826,048</b>	<b>3,347,711</b>	<b>32,657,102</b>	<b>15,560,435</b>	<b>111,193,271</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 165,157,507</b>	<b>\$ 4,539,082</b>	<b>\$ 45,125,152</b>	<b>\$ 75,212,521</b>	<b>\$ 28,049,514</b>	<b>\$ 318,083,776</b>

*The Notes to the Financial Statements are an integral part of this statement.*

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**KNOX COUNTY, TENNESSEE**

**Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Assets**

June 30, 2007

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Amounts reported for governmental activities in the statement of net assets are different because:

Ending Fund Balance - Governmental Funds	\$ 111,193,271
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	660,943,483
Other long-term assets, consisting of deferred debt issuance costs (\$3,117,046) and pension asset (\$3,811,698), are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	6,928,744
Internal service funds are used by management to charge certain costs (e.g., certain employee benefits, insurance, maintenance, and use of equipment) to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	9,841,910
Long-term liabilities, including bonds payable and related unamortized premium, capital leases, compensated absences, and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	
Bonds Payable	\$ 580,517,336
Unamortized Bond Premium	14,635,315
Unamortized Amount on Refunding	(9,561,578)
Accrued Interest	4,136,124
Compensated Absences	4,637,739
	<u>(594,364,936)</u>
Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were deferred in the fund financial statements but have been recognized as revenues under the accrual basis.	<u>1,880,363</u>
Net Assets of Governmental Activities	<u><u>\$ 196,422,835</u></u>

*The Notes to the Financial Statements are an integral part of this statement.*

**KNOX COUNTY, TENNESSEE**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds**

For the year ended June 30, 2007

	<b>General</b>	<b>Special Revenue Constitutional Officers</b>	<b>Capital Projects Public Improvement</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>						
Local Taxes	\$ 128,968,601	\$ -	\$ 209,705	\$ 19,462,532	\$ 12,488,604	\$ 161,129,442
Licenses and Permits	3,623,663	-	-	-	-	3,623,663
Fines, Forfeitures and Penalties	3,843,930	-	-	-	282,838	4,126,768
Charges for Current Services	4,993,086	22,290,040	-	-	821,394	28,104,520
Other Local Revenues	1,477,736	-	176,312	-	936,923	2,590,971
State of Tennessee	9,310,646	-	1,003,750	-	11,005,398	21,319,794
Federal Government	902,756	-	392,410	-	7,340,053	8,635,219
Other Governments and Citizen Groups	484,431	-	2,072,000	329,800	944,114	3,830,345
Payments from Component Units	-	-	-	23,229,518	-	23,229,518
Increase in Equity Interest in Joint Ventun	713,764	-	-	-	-	713,764
Interest Earned	-	185,615	132,932	7,861,842	-	8,180,389
Total Revenues	<u>154,318,613</u>	<u>22,475,655</u>	<u>3,987,109</u>	<u>50,883,692</u>	<u>33,819,324</u>	<u>265,484,393</u>
<b>Expenditures</b>						
Current:						
Finance and Administration	24,493,987	16,164,074	-	-	434,575	41,092,636
Finance and Administration - Payments to Component Unit	4,148,000	-	-	-	-	4,148,000
Administration of Justice	11,876,126	-	-	-	601,448	12,477,574
Public Safety	60,307,156	-	-	-	4,153,509	64,460,665
Public Safety - Payments to Component Unit	326,200	-	-	-	-	326,200
Public Health and Welfare	27,739,913	-	-	-	11,667,925	39,407,838
Public Health and Welfare - Payments to Component Unit	256,628	-	-	-	-	256,628
Social and Cultural Services	4,446,045	-	-	-	13,251,732	17,697,777
Agricultural and Natural Resources	425,395	-	-	-	-	425,395
Other General Government	7,525,484	-	-	-	6,648,139	14,173,623
Highways	-	-	-	-	11,228,081	11,228,081
Debt Proceeds Paid to Component Unit	-	-	18,550,000	-	-	18,550,000
Debt Issuance Costs	-	-	340,537	-	-	340,537
Payments to Component Unit	-	-	10,750,000	-	-	10,750,000
Capital Projects	-	-	46,534,299	-	470,608	47,004,907
Debt Service:						
Contracted Services	-	-	-	863,352	-	863,352
Trustee's Commission	-	-	-	446,367	-	446,367
Principal on Bonds	-	-	-	22,980,467	-	22,980,467
Interest on Bonds	-	-	-	25,102,520	-	25,102,520
Total expenditures	<u>141,544,934</u>	<u>16,164,074</u>	<u>76,174,836</u>	<u>49,392,706</u>	<u>48,456,017</u>	<u>331,732,567</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>12,773,679</u>	<u>6,311,581</u>	<u>(72,187,727)</u>	<u>1,490,986</u>	<u>(14,636,693)</u>	<u>(66,248,174)</u>
<b>Other financing sources (uses)</b>						
Transfers from Other Funds	6,369,650	-	5,500,000	541,002	13,598,894	26,009,546
Transfers to Other Funds	(20,939,896)	(6,269,650)	-	-	(100,000)	(27,309,546)
Long-term Debt Issued	-	-	69,000,000	-	-	69,000,000
Total Other Financing Sources (Uses)	<u>(14,570,246)</u>	<u>(6,269,650)</u>	<u>74,500,000</u>	<u>541,002</u>	<u>13,498,894</u>	<u>67,700,000</u>
<b>Net Change in Fund Balances</b>	<u>(1,796,567)</u>	<u>41,931</u>	<u>2,312,273</u>	<u>2,031,988</u>	<u>(1,137,799)</u>	<u>1,451,826</u>
<b>Fund Balance, July 1</b>	<u>57,598,542</u>	<u>3,784,117</u>	<u>1,035,438</u>	<u>30,625,114</u>	<u>16,698,234</u>	<u>109,741,445</u>
<b>Fund Balance, June 30</b>	<u>\$ 55,801,975</u>	<u>\$ 3,826,048</u>	<u>\$ 3,347,711</u>	<u>\$ 32,657,102</u>	<u>\$ 15,560,435</u>	<u>\$ 111,193,271</u>

The Notes to the Financial Statements are an integral part of this statement.

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**KNOX COUNTY, TENNESSEE**

**Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities**

For the year ended June 30, 2007

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Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ 1,451,826
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$30,123,063) exceeded depreciation (\$20,999,769) in the current period.	9,123,294
Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were recognized as revenues in the statement of activities but were not reported as revenues in the fund financial statements.	1,880,363
Amounts reported as fund revenues that met the criteria for revenue recognition under the full accrual method of accounting in the preceding fiscal year have been excluded from the current year statement of activities.	(2,164,098)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is reflected as an expenditure in the governmental funds, whereas the repayment reduces long-term liabilities in the statement of net assets. Bond proceeds (\$69,000,000) exceeded debt principal payments (\$22,980,467) by this amount.	(46,019,533)
Expenses reported in the statement of activities include amortization of the deferred amount on debt refunding (\$1,172,960) and amortization of deferred debt issuance costs (\$206,193). In addition, the amortization of bond premium results in reduction of expenses of \$1,958,330. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	579,177
Bond issuance costs are expenditures of governmental funds, but are deferred assets in the statement of net assets.	465,750
Expenses reported in the statement of activities include the increase in the liability for accrued interest (\$87,543), and for compensated absences (\$256,646). In addition, the reduction of the balance of the net pension asset increased expenses by \$32,490. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(376,679)
Internal service funds are used by management to charge certain costs (e.g., certain employee benefits, insurance, maintenance, and use of equipment) to individual funds. The net revenue (expense) amounts of the internal service funds are reported with governmental activities.	<u>1,411,083</u>
Change in Net Assets of Governmental Activities	<u>\$ (33,648,817)</u>

*The Notes to the Financial Statements are an integral part of this statement.*



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**KNOX COUNTY, TENNESSEE**

**Statement of Net Assets  
Proprietary Funds  
June 30, 2007**

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	<b>Internal Service Funds</b>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$ 17,565,903
Receivables:	
Accounts	481,421
Due from Other Funds	539,565
Due from Component Units	5,275
Notes	32,594
Inventories	146,727
Prepaid Items	2,995
	<hr/>
TOTAL CURRENT ASSETS	18,774,480
<b>Capital Assets:</b>	
Machinery and Equipment	11,461,774
Accumulated Depreciation	(9,654,091)
	<hr/>
Capital Assets (Net of Accumulated Depreciation)	1,807,683
	<hr/>
TOTAL ASSETS	20,582,163
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts Payable and Accrued Liabilities	2,643,443
Due to Other Funds	718,897
Due to Component Units	313,920
Deferred Revenue	10,883
Self Insured Claims Liability	6,741,760
Compensated Absences Payable	122,715
Advances from Other Funds	175,000
	<hr/>
TOTAL CURRENT LIABILITIES	10,726,618
<b>Noncurrent Liabilities:</b>	
Compensated Absences Payable	13,635
	<hr/>
TOTAL LIABILITIES	10,740,253
<b>NET ASSETS</b>	
Invested in Capital Assets	1,807,683
Unrestricted	8,034,227
	<hr/>
TOTAL NET ASSETS	\$ 9,841,910

*The Notes to the Financial Statements are an integral part of this statement.*

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**KNOX COUNTY, TENNESSEE**

**Statement of Revenues, Expenses and Changes in Fund Net Assets**

**Proprietary Funds**

For the Year Ended June 30, 2007

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	<b>Internal Service Funds</b>
<b>Operating Revenues</b>	
Charges for Services	\$ 53,260,680
<b>Operating Expenses</b>	
Cost of Sales and Services	2,318,438
General and Administration	11,792,899
Depreciation and Amortization	1,242,825
Medical Claims	17,725,351
Retirement Contributions	18,662,990
Other Employee Benefits	526,215
Worker's Compensation Claims	1,327,508
Other Expenses	1,444,965
Total Operating Expenses	55,041,191
<b>Operating Loss</b>	(1,780,511)
<b>Nonoperating Revenues</b>	
Payments from Component Units	927,181
Donations	5,750
Subrogation Payments	25,045
Loss on Disposal of Capital Assets	(2,957)
Gain on Disposal of Capital Assets	9,395
Total Nonoperating Revenues	964,414
<b>Loss before Transfers</b>	(816,097)
<b>Transfers</b>	
Transfers from Other Funds	2,227,180
<b>Change in Net Assets</b>	1,411,083
<b>Total Net Assets, July 1</b>	8,430,827
<b>Total Net Assets, June 30</b>	\$ 9,841,910

*The Notes to the Financial Statements are an integral part of this statement.*

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KNOX COUNTY, TENNESSEE

Statement of Cash Flows  
Proprietary Funds

For the Year Ended June 30, 2007

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	<b>Internal Service Funds</b>
<b>Operating Activities</b>	
Cash Received from Interfund Services Provided	\$ 52,472,028
Cash Paid to Employees	(1,420,521)
Cash Paid for Goods and Services	(14,771,409)
Cash Paid on Behalf of Employees	(36,554,586)
<b>Net Cash Used in Operating Activities</b>	<u>(274,488)</u>
<b>Noncapital Financing Activities</b>	
Receipts from Subrogation Payments	27,185
Transfers from Other Funds	2,227,180
Advances from Other Funds	50,000
Payments from Component Units	927,181
Donations	5,750
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>3,237,296</u>
<b>Capital and Related Financing Activities</b>	
Insurance Recovery on Capital Assets	<u>35,153</u>
<b>Net Increase in Cash and Cash Equivalents/Investments</b>	2,997,961
<b>Cash and Cash Equivalents/Investments Beginning of Year</b>	<u>14,567,942</u>
<b>End of Year</b>	<u>\$ 17,565,903</u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>	
Operating Loss	\$ (1,780,511)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation and Amortization	1,242,825
Change in Assets and Liabilities:	
Increase in Accounts Receivable	(231,275)
Increase in Due from Other Funds	(539,565)
Increase in Due from Component Units	(5,275)
Increase in Inventories	(31,700)
Decrease in Prepaid Items	1
Decrease in Accounts Payable and Accrued Liabilities	673,640
Increase in Due to Other Funds	672,591
Increase in Due to Component Units	313,920
Increase in Compensated Absences	22,146
Decrease in Self-insurance Liabilities	(598,750)
Decrease in Deferred Revenue	(12,535)
Total Adjustments	<u>1,506,023</u>
<b>Net Cash Used in Operating Activities</b>	<u>\$ (274,488)</u>

*The Notes to the Financial Statements are an integral part of this statement.*

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**KNOX COUNTY, TENNESSEE****Statement of Fiduciary Net Assets****Fiduciary Funds**June 30, 2007

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	Pension Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 23,902,048
Receivables:		
Accounts	-	6,756,592
Contributions	18,932	-
Due from Other Funds	156,123	-
Due from Other Plan	239,243	-
Investments:		
Mutual Funds	311,369,970	-
Deferred Expenses	478,486	-
<b>TOTAL ASSETS</b>	<u>312,262,754</u>	<u>\$ 30,658,640</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	514,957	\$ 11,775,036
Due to Other Governments	-	3,661,987
Due to Litigants, Heirs and Others	-	15,221,617
<b>TOTAL LIABILITIES</b>	<u>514,957</u>	<u>\$ 30,658,640</u>
<b>NET ASSETS</b>		
Held in Trust for:		
Pension Benefits	<u>\$ 311,747,797</u>	

*The Notes to the Financial Statements are an integral part of this statement.*

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**KNOX COUNTY, TENNESSEE**

**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
For the year ended June 30, 2007

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	<u>Pension Trust Funds</u>
<b>Additions</b>	
Contributions:	
Employer	\$ 8,913,960
Employees	10,250,273
Transfers from Other Plans	<u>87,886</u>
Total Contributions	<u>19,252,119</u>
Investment Earnings:	
Interest and Dividend Income	1,932,576
Net Appreciation in Fair Value of Investments	<u>38,134,165</u>
Total Investment Earnings	40,066,741
Less Investment Expenses	<u>(221,586)</u>
Net Investment Earnings	<u>39,845,155</u>
Total Additions	<u>59,097,274</u>
<b>Deductions</b>	
Benefits and Refunds	18,092,749
Payments to Primary Government	927,180
Transfers to Other Plans	<u>248,109</u>
Total Deductions	<u>19,268,038</u>
<b>Change in Net Assets</b>	39,829,236
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	<u>271,918,561</u>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	<u>\$ 311,747,797</u>

*The Notes to Financial Statements are an integral part of this statement.*

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**Note I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Knox County (the County), founded in 1792, is a political subdivision of the State of Tennessee. The County operates under a County Mayor – County Commission form of government pursuant to the Knox County Home Rule Charter (the Charter) established under Tennessee Code Annotated, Section 5-1-208, effective September 1, 1990. The County Mayor serves an elected term of four years. The nineteen County Commissioners serve four-year terms and are elected by district votes within the County. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its Component Units. The County is considered to be the primary government. Component Units are legally separate entities for which the County is considered to be financially accountable. These Component Units are discretely presented in separate columns in the government-wide financial statements to emphasize they are legally separate from the County.

***Discretely Presented Major Component Units - the County***

The **Knox County Board of Education** (the Board) consists of nine members elected by voters of the County and one superintendent appointed by members of the Board. The Board is fiscally dependent on the County because the County levies taxes for the Board, issues debt on behalf of the Board and approves the Board's Budget. The Board is responsible for elementary and secondary education within the County's jurisdiction. The Board operates a total of 86 vocational and handicapped centers, primary, intermediate, middle and high schools. The full-time equivalent average daily membership during the 2006 - 2007 school year was 54,073 with a full time equivalent average daily attendance of 50,900. During the previous year, the full time equivalent average daily membership was 52,909 with a full time equivalent average daily attendance of 50,458.

The **Knox County Railroad Authority** (KCRA) was established by Knox County in April 1999, to provide for the continuation of rail service within the County. KCRA is governed by a two-member Board consisting of the County Mayor and a member selected by the County Commission. KCRA is fiscally dependent on the County for approval of all debt issuances.

The **Knox County Emergency Communications District** (the District) is an emergency response agency operating a consolidated public safety answering point service and emergency radio dispatch service for the residents of the County. The District is governed by an eleven-member Board of Directors, of whom the majority are appointed by the County. Debt issuances or lease agreements exceeding five years require County approval. The District has the authority to levy an emergency telephone service charge to be used to fund the emergency telephone service. The County, however, may reduce the levy provided the reduction does not preclude the District from the authorized activities established in the Tennessee Code Annotated.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

Complete financial statements for the District may be obtained at the entity's administrative offices:

Knox County Emergency Communications District  
605 Bernard Avenue  
Knoxville, TN 37921

The Board and KCRA do not issue separate financial statements from those of the County. Fund financial statements for the Board are, therefore, included in these financial statements. The activities of KCRA are accounted for in a single fund, and the information presented in the government-wide financial statements also constitutes the fund financial statements.

***Discretely Presented Major Component Unit - the Board***

The Great Schools Partnership Charitable Trust (the Partnership) was established during the fiscal year ended June 30, 2005. Its purpose is to support the Knox County Schools by expending funds in furtherance of the exempt purposes of the Board or by distributions of funds directly to the Board. The Partnership is a legally separate, tax-exempt organization governed by a thirteen-member board consisting of representatives of the Board, Knox County, the City of Knoxville, and various other governmental, educational, and not-for-profit organizations. Although the Board does not control the timing or amount of expenditures made by the Partnership, the majority of the resources, or income therefrom, that the Partnership holds are restricted to the exempt purposes of the Board by the donors. Therefore, the Partnership is considered a component unit of the Board and is discretely presented in the Board's financial statements.

The Partnership does not issue separate financial statements. Its activities are accounted for in a single fund, and the information presented in the Board's financial statements also constitutes the fund financial statements.

**B. Government-wide and Fund Financial Statements**

The accompanying financial statements of the County have been prepared in conformity with accounting principles as generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and Fund Financial Statements (Continued)**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*The government-wide financial statements* are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and pension trust fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

*Governmental fund financial statements* are reported using the flow of current financial resources measurement focus and employ the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are "measurable and available". "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting, except for debt and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are considered susceptible to accrual. Sales taxes collected and held by the state at year-end on behalf of the County are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the County and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

**Fund Accounting:** The accounts of the County are organized, operated and presented on the basis of funds. Funds are independent fiscal and accounting entities with self-balancing sets of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The *Constitutional Officers Fund* accounts for activities associated with the administrative functions of the County's Constitutional Officers.

The *Public Improvement Fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds, exclusive of construction activity related to the Americans with Disabilities Act.

The *Debt Service Fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

Additionally, the County reports the following fund types:

*Internal service funds* account for operations of the County that provide services to other departments, agencies, other governments, component units, and joint ventures on a cost reimbursement basis.

Activities accounted for in the internal service funds include: (1) provision of gasoline and maintenance services for County vehicles, (2) operation of a central mailroom, (3) payment of employee medical and unemployment claims, (4) accounting for the County's retirement plan contributions, (5) accounting for the payment of workers' compensation and general liability claims, (6) provision of central maintenance for County buildings, (7) providing technical support for electronic data processing functions, and (8) providing leased vehicles and equipment to County departments.

*Fiduciary funds* account for assets held by the County in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Fiduciary funds include the following:

The *pension trust funds* are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The pension trust fund accounts for the assets of the County's defined benefit pension plan, defined contribution pension plan, and its defined contribution medical retirement plan. In addition, the pension trust funds include balances related to certain transactions incurred prior to June 30, 2007, for the Uniformed Officers Pension Plan that will be offered to eligible participants beginning in the subsequent fiscal year (see Note V.) Plan member contributions are recognized in the period when contributions are due and payable in accordance with the terms of the plan. Employer contributions are recognized when due and the County makes a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Fiduciary funds also include agency funds used to account for the receipt and disbursement of funds held for various third parties. Agency funds include transactions related to (1) local sales taxes collected by the State of Tennessee and remitted to the County for distribution to other municipalities, (2) funds held on behalf of juvenile defendants, (3) funds held on behalf of subdivision developers pending completion of road and hydrology requirements, (4) cash held by the County on behalf of several external agencies and County joint ventures, and (5) funds held by various elected officials on behalf of state agencies and/or other funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

Governments also have the option of following subsequent private-sector guidance for their business-type activities subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

*Proprietary funds* distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first and then, unrestricted resources as they are needed.

***Component Units***

The Board of Education uses two major governmental funds (general fund and school construction capital projects), three nonmajor governmental (special revenue) funds, and fiduciary funds (pension trust fund, agency). These fund types use the same measurement focus and basis of accounting as those of the County. KCRA and the Partnership follow the County's governmental funds measurement focus and basis of accounting. The District follows the County's proprietary funds measurement focus and basis of accounting.

**D. Assets, Liabilities and Equity**

***Deposits and Investments***

The cash and cash equivalents of the County and its component units are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Equity (Continued)**

*Deposits and Investments (Continued)*

The County maintains a pooled cash system through the Knox County Trustee. The fair value of purchased investments and investment income at fiscal year end is allocated to major funds based on the total cash position of that fund at fiscal year end. In accordance with County directive, the majority of interest earned during the year is allocated to the Debt Service Fund for retirement of future debt.

State statutes and local ordinances authorize the County and the Board to invest in certificates of deposit, the State Local Government Investment Pool, U.S. Treasury obligations, U.S. agency issues, corporate bonds, equity funds, short-term bond funds, and guaranteed investment contracts.

The County's and its component units' investments are carried at fair value. Short-term investments, however, are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price.

*Receivables, Payables, and Deferred Revenue*

In the County's fund financial reporting, transactions between County funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Transactions between the County and its component units that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from Component Units." All other outstanding balances between the County and its component units are reported as "due to/from Component Units/Primary Government."

In the fund financial statements governmental funds report deferred revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current accounting period. Governmental funds also defer recognition of revenues in connection with resources that have



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Equity (Continued)**

been received, but not yet earned. The County accrues additional assets (receivables) for certain nonexchange revenues in governmental funds. As governmental funds are subject to the modified accrual basis of accounting, any additional revenues recognized as receivable before the resources are available have been reported as deferred revenues with no resulting effect on fund equity. Unearned revenue in the government-wide financial statements consists of resources received that have not yet been earned.

All trade receivables are shown net of an allowance for doubtful accounts. Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. In Tennessee, this date is January 1<sup>st</sup>, and is referred to as the lien date. Revenues from property taxes, however, are recognized in the period for which the taxes are levied, which for the County is October 1 of the ensuing fiscal year. Since the receivable for property taxes is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated amount for uncollectible taxes, is reported as deferred revenue in the fund financial statements and unearned revenue in the government-wide financial statements as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied and uncollected during the current fiscal year as well as the previous eight fiscal years. These property taxes receivable are presented on the fund balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 60 days of year-end are considered available and are accrued as revenue. Property taxes collected later than 60 days after year-end are not considered available and are accrued and reported as deferred revenue. An allowance for uncollectible taxes is also recorded representing the estimated amount of delinquent taxes receivable that will be filed with the court for collection. Delinquent taxes filed with the court for collection are considered uncollectible and are written off.

In the fund financial statements, the balance of notes receivable and advances between funds are offset by a fund balance reserve to indicate that they are not available for appropriation and are not expendable available financial resources.

***Inventories and Prepaid Assets***

The County maintains material inventory balances in its proprietary and governmental funds. Inventories in the proprietary funds are stated at the lower of cost or market. Inventories in the governmental funds are stated at cost. Inventories are accounted for under the consumption method. Supplies for resale and the cost of oil and gasoline in the internal service funds use the first-in, first-out (FIFO) flow assumption in determining cost. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Equity (Continued)**

*Inventories and Prepaid Assets (Continued)*

The Board values school supplies inventories using the specific identification method. The Board's Central Cafeteria Fund inventories are composed of food supplies. These inventories are stated at cost.

The County's general fund inventory consists of land held for resale. The land is recorded at cost excluding the cost of infrastructure (roads, utilities, etc.). In the governmental funds the balance of prepaid assets and inventories are offset by a fund balance reserve to indicate that they are not available for appropriation and are not expendable, available financial resources.

*Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend asset lives are not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	45
Land Improvements	10 - 20
Public Domain Infrastructure	40
System Infrastructure	25
Vehicles	5
Machinery and Equipment	5 - 20
Intangibles	5

It is the County's and the District's policy to capitalize the cost of the rights to externally acquired software as an intangible asset.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Equity (Continued)**

***Compensated Absences***

It is the policy of the County and its component units to permit employees to accumulate, in varying amounts, earned but unused vacation, compensatory time and sick pay benefits. There is no liability recorded for unpaid accumulated sick leave since the County does not have a policy to pay any such amounts upon separation from employment. Vacation and compensatory pay from the County's and the Board's governmental funds are not reported in their respective fund financial statements because it is not expected that such amounts would be liquidated with expendable available financial resources. No expenditure is reported for these amounts. For the County and Component Unit governmental activities, compensated absences liabilities are generally liquidated by the respective general fund. The compensated absences liability and the related change in liability are reported in the government-wide and proprietary fund financial statements of the County and its component units.

***Long-Term Obligations***

The County and the Board record long-term debt in the government-wide financial statements. Similarly, long-term debt and other obligations financed by the County's proprietary funds and the District are recorded as liabilities in the appropriate funds.

Bond premiums and discounts, as well as deferred amounts on refundings, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount and deferred amounts on refundings. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt on the straight-line basis.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Fund Equity***

In the fund financial statements of the governmental funds, reservations of fund balances represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change and are available for appropriation at the discretion of management.

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted, and unrestricted. Restricted net assets represent constraints on resources that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by County law.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Additional Information**

*Comparative Data/Reclassifications*

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements to provide an understanding of the changes in the financial position and operations of the County and the Board. Comparative totals have not been included on statements where their inclusion would not provide enhanced understanding of the reporting entity's financial position and operations or would cause the statements to be unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

*Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

**NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Data**

*Budget Basis/Authority*

Annual budgets, as required by the County Charter and applicable County ordinances, are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except the Constitutional Officers, Drug Control, and portions of the Capital Projects Funds.

The Constitutional Officers Special Revenue Fund is used to account for the transactions of the fee and commission accounts of the County Trustee, Register of Deeds, County Clerk, Criminal and Fourth Circuit Court Clerk, Circuit and General Sessions Court Clerk, and Clerk and Master. These separately elected officials pay salaries and related expenditures from fees and commissions earned by their offices.

Excess fees and commissions are transferred to other funds. In some instances, all fees and commissions earned are transferred to other funds. Transactions related to the Constitutional Officers Special Revenue Fund are not subject to the budgetary control of the County Commission. Therefore, this fund is presented as an unbudgeted special revenue fund.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Budgetary Data (Continued)**

The Drug Control Special Revenue Fund was established in the 1998 fiscal year pursuant to an amendment of Tennessee Code Annotated Section 39-17-420, stipulating drug control activities to be reported in a special revenue fund. The budget for this fund is a separately adopted budget presented by the Sheriff and approved by the County Commission. It is not part of the annual adopted budget presented to the County Commission.

The County's Public Improvement Capital Projects Fund and the Board's School Construction Capital Projects Fund each adopt project-length budgets for major construction projects rather than annual budgets for these projects. The County and the Board adopt annual budget amounts for certain expenditures within these funds. The County's Americans with Disabilities Act (ADA) Construction Capital Projects Fund's budget is adopted on an annual basis.

Budgets for portions of the County's State and Federal Grants Fund and all of the Board's School Projects and School Federal Projects Funds are generally adopted at the time the grant or program has been approved by the grantor, so the Commission can fulfill any requirement to appropriate local matching funds at the time of adoption.

With the exception of project length budgets and grants, all appropriations lapse at fiscal year end.

***Budgetary Process***

On or before April 15, heads of all County departments and agencies submit requests for appropriations to the County Department of Finance. The Board prepares a comprehensive budgetary request that is also sent to the Department of Finance. This budget has been approved by the members of the Board of Education and is sent to the County for adoption.

The Department of Finance in conjunction with the Office of the County Mayor compiles the requests, negotiates with the various departments and submits a comprehensive budget to the County Commission. By July 1, the final County and Board budget is adopted by County Commissioners.

The appropriated County budget is prepared at the fund, department, and major category level. For the County, the legal level of budgetary control, that is, the level at which management cannot overspend funds without a budget amendment approved by the Finance Committee of the County Commission, is the major category level within departments. The major categories are Personal Services, Employee Benefits, Contracted Services, Supplies and Materials, Other Charges, Debt Service and Capital Outlay.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Budgetary Data (Continued)**

The budget adopted by the County for the Board is recommended by the County Mayor and adopted in total. The County does not exercise control over the Board at the department or major category level. After the budget for the Board is approved, the Board of Education may modify it within the total appropriation granted by the County Commission.

The budget and actual schedules included herein are not intended to demonstrate compliance at the legal level of budgetary control. Such statements and schedules are included in the County's separately issued *Budget Report to Citizenry*. Copies of the report may be obtained from the Knox County Department of Finance:

Knox County Department of Finance  
Room 630  
City County Building  
400 Main Avenue  
Knoxville, TN 37902

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Outstanding encumbrances are reappropriated in the subsequent year.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Budgetary Data (Continued)**

*Supplemental Appropriations*

The following schedule shows the annual budget originally adopted (excluding transfers to other funds) for the County and the Board, and the revisions to that budget as authorized by the County Commission, for the year ended June 30, 2007:

Fund	Original Budget	Revisions	Revised Budget
<b>Governmental Funds:</b>			
General Fund	\$ 158,105,580	\$ 9,973,149	\$ 168,078,729
Special Revenue Funds:			
State and Federal Grants	1,200,000	158,097	1,358,097
Governmental Library	120,000	88,493	208,493
Public Library	11,548,129	632,923	12,181,052
Solid Waste	4,090,116	122,456	4,212,572
Hotel/Motel Tax	4,800,000	309,064	5,109,064
Fire District	180,000	-	180,000
Drug Control	-	683,471	683,471
Highway	12,100,000	1,483,228	13,583,228
Total Special Revenue Funds	34,038,245	3,477,732	37,515,977
Debt Service Fund	53,000,000	828,897	53,828,897
Capital Projects Funds:			
Public Improvement	375,300	686,635	1,061,935
ADA Construction	750,000	553,497	1,303,497
Total Capital Projects Funds	1,125,300	1,240,132	2,365,432
Total - Governmental Funds	\$ 246,269,125	\$ 15,519,910	\$ 261,789,035

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Budgetary Data (Continued)**

Fund	Original Budget	Revisions	Revised Budget
<b>Component Unit - the Board:</b>			
General Fund:			
General Purpose School	\$ 332,200,000	\$ 10,334,241	\$ 342,534,241
Special Revenue Funds:			
School Federal Projects	-	34,403,103	34,403,103
School General Projects	-	10,580,574	10,580,574
Central Cafeteria	18,835,910	822,069	19,657,979
Total Special Revenue Funds	18,835,910	45,805,746	64,641,656
Capital Projects Fund:			
School Construction	17,300,000	-	17,300,000
Total - the Board	\$ 368,335,910	\$ 56,139,987	\$ 424,475,897

Designated funds, as of June 30, 2007, in the General Fund, General Purpose Schools Fund, Public Library Fund, Hotel/Motel Tax Fund, Highway Fund, Debt Service Fund, and the State and Federal Grants Fund reappropriated in the subsequent fiscal year totaled \$3,027,042, \$7,157,777, \$14,355, \$325,000, \$2,027,000, \$3,645, and \$217,913, respectively.

Remaining supplemental appropriations primarily represent funds designated during the previous fiscal year, encumbrances outstanding at June 30, 2007, and grant awards appropriated at the time the award is received.

A local ordinance requires a two-thirds approval of the County Commission before reducing any County fund balance below an amount equal to five percent of the total amount budgeted in the fund. State law stipulates that the Board's General Purpose School Fund balance in excess of three percent of the budgeted annual operating expenses for the current fiscal year may be budgeted and expended for nonrecurring purposes but shall not be used for recurring annual operating expenses.



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The County, the Board and the District maintain a cash and investment pool through the County Trustee's office. The County Trustee is the treasurer of the County and in this capacity is responsible for receiving, disbursing, depositing and investing most funds. The carrying amount of balances approximates bank balances.

The Trustee of Knox County utilizes a negotiated sweep agreement for a portion of funds held by the Trustee. These funds are invested each night in various instruments, but under the County's policy these funds are classified as Cash and Cash Equivalents.

Other investments are held in the State of Tennessee's Local Government Investment Pool ("LGIP") and are not subject to categorization. Fair value of investments held in the LGIP approximates carrying value.

Cash and investments for the County and its Component Units as shown in the financial statements follows:

	Primary Government	Component Units		
		The Board	KCRA	The District
Cash on Hand	\$ 4,265	\$ 165	\$ 14,245	\$ 6,124,710
Carrying Amount of Deposits	158,877,490	65,336,937	-	-
Investments (Governmental Funds)	12,713,797	-	-	-
Investments (Pension Trust Funds)	311,369,970	85,237,723	-	-
Investment in State Treasurer's Investment Pool	2,440,411	-	-	-
<b>Total</b>	<b>\$ 485,405,933</b>	<b>\$ 150,574,825</b>	<b>\$ 14,245</b>	<b>\$ 6,124,710</b>
Cash and Cash Equivalents	\$ 161,322,166	\$ 65,337,102	\$ 14,245	\$ 6,124,710
Investments	324,083,767	85,237,723	-	-
<b>Total</b>	<b>\$ 485,405,933</b>	<b>\$ 150,574,825</b>	<b>\$ 14,245</b>	<b>\$ 6,124,710</b>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**A. Deposits and Investments (Continued)**

***Interest Rate Risk***

As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's governmental activities investments are managed by an investment board, whose objectives are to maximize earnings while reducing the exposure to interest rate risks to a low level by utilizing a mixture of short and long-term maturity investments, primarily in investments in U.S. Government Securities and securities issued by agencies of the U.S. Government. The County's and Board's Pension Trust fund activities are managed by the Knox County Retirement Board, whose objectives are to maximize earnings while reducing the exposure to interest rate risks to an appropriate level by using a mixture of long-term and short-term investments in various debt and equity securities. The investments of the County's defined benefit plan and the Board's defined benefit plan are included in a single trust account. The following represents the County's governmental activities investments and the activities of the County's and the Board's Pension Trust funds:

	Primary Government, Governmental Activities		Fiduciary Activities, Primary Government and Board	
	Fair Value or Carrying Amount	Weighted Average Maturity (Years)	Fair Value or Carrying Amount	Weighted Average Maturity (Years)
Cash Equivalents Classified as Investments	\$ 75,813		\$ 3,972,083	
Equity Mutual Funds	\$ -		\$ 365,033,075	
Fixed Income Securities:				
U.S. Government Securities	9,968,265	2.519	7,314,032	3.127
U.S. Government Agency Securities	2,745,532	0.551	9,520,899	3.332
Corporate Bonds	-		9,995,667	3.570
Municipal Bonds	-		296,655	1.917
State Agency Bonds	-		475,282	4.833
Total Fixed Income Securities	\$ 12,713,797	2.407	\$ 27,602,535	3.737

***Custodial credit risk***

The County's policies limit deposits and investments to those instruments allowed by applicable state laws. Tennessee State Law requires financial institutions to secure a local government's deposits by pledging governmental securities as collateral. The market value of pledged securities must equal at least 105% of the average daily balance of deposits. Alternatively, financial institutions that hold public deposits may participate in the State's collateral pool.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**A. Deposits and Investments (Continued)**

*Custodial Credit Risk (Continued)*

A portion of the County's, the Board's and the District's deposits at June 30, 2007 were covered by the bank collateral pool administered by the Treasurer of the State of Tennessee (the State). Banks participating in the pool report the aggregate balance of their public fund accounts to the State. Collateral to secure these deposits must equal between 90 – 115 percent of the average daily balance of public deposits held and must be pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. The members of the pool may be required to pay an assessment to cover any deficiency.

*Credit risk*

The County's policies are designed to maximize investment earnings, while protecting the security of principal and providing adequate liquidity, in accordance with all applicable laws. The County's and Board's Pension Trust funds are managed with long-term objectives that include maximizing total investment earnings. State statutes and County policies allow the Pension Trust funds a broader range of investments than those available to the governmental activities. The credit risk of the investments of the County's governmental activities and the County's and Board's Pension Trust funds investments in fixed-income securities (excluding U.S. Government securities) is as follows:

	Primary Government, Governmental Activities		Fiduciary Activities, Primary Government and Board	
	Fair Value	S&P Rating	Fair Value	S&P Rating
U.S. Government Agency Securities:	\$ 2,745,532	AAA	\$ 9,040,739	AAA
U.S. Government Agency Securities:	-	-	480,160	AA-
Corporate Bonds:				
Corporate Bonds	-	-	945,505	AAA
Corporate Bonds	-	-	399,349	AA
Corporate Bonds	-	-	1,182,270	AA-
Corporate Bonds	-	-	1,832,422	A+
Corporate Bonds	-	-	2,587,654	A
Corporate Bonds	-	-	766,714	A-
Corporate Bonds	-	-	1,214,279	BBB+
Corporate Bonds	-	-	356,447	BBB
Corporate Bonds	-	-	711,027	Unrated
Municipal Bonds	-	-	296,655	AA
State Agency Bonds	-	-	475,282	AAA
	<u>\$ 2,745,532</u>		<u>\$ 20,288,503</u>	
Total Fixed Income Securities	<u>\$ 2,745,532</u>		<u>\$ 20,288,503</u>	

The County's governmental activities investments and the County's and the Board's pension trust investments have no investments in any single issuer of fixed income securities that represent 5 percent or more of plan net assets.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**B. Receivables**

Receivables for the County's individual major funds and nonmajor governmental, internal service, and fiduciary funds in the aggregate, as of year-end, including allowances for uncollectible accounts are:

**Primary Government**

	Major Governmental Funds			Nonmajor Governmental Funds	Internal Service	Total	
	General	Debt Service	Public Improvement			Primary Government	Trust and Agency
Receivables:							
Taxes	\$ 102,773,122	\$ 29,123,892	\$ -	\$ 409,435	\$ -	\$ 132,306,449	\$ -
Accounts	10,666,483	429,652	2,158,117	8,813,865	481,421	22,549,538	6,756,592
Interest and Dividends	-	7,786	-	-	-	7,786	-
Contributions	-	-	-	-	-	-	18,932
Gross Receivables	113,439,605	29,561,330	2,158,117	9,223,300	481,421	154,863,773	6,775,524
Less: Allowances for uncollectibles	(2,983,767)	(648,942)	-	(200,859)	-	(3,833,568)	-
Net Total Receivables	\$ 110,455,838	\$ 28,912,388	\$ 2,158,117	\$ 9,022,441	\$ 481,421	\$ 151,030,205	\$ 6,775,524

Receivables for the County's component units as of year-end, including the allowances for uncollectible accounts are:

**Component Units:**

	Government-wide Totals			The Board - Pension Trust
	The Board	KCRA	The District	
Receivables:				
Taxes	\$ 111,265,828	\$ -	\$ -	\$ -
Accounts	30,071,730	102,696	630,293	-
Contributions	-	-	-	32,034
Gross Receivables	141,337,558	102,696	630,293	32,034
Less: Allowances for uncollectibles	(3,198,723)	-	-	-
Net Total Receivables	\$ 138,138,835	\$ 102,696	\$ 630,293	\$ 32,034

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**B. Receivables (Continued)**

The County's Debt Service Fund has the following notes receivable at June 30, 2007:

- (1) Notes receivable from the Knox-Chapman Utility District (KCUD) and the West Knox Utility District of Knox County (WKUD) have current balances of \$1,770,000 each, respectively. The basis of these notes is an agreement made by the County to participate with the utility districts to expedite utility relocation and upgrading necessary for construction of improved roadways within the northwest portion of the County. Each district was advanced up to \$2,000,000, which was disbursed by the County in installments upon receipt of draw notices. The advances are non-interest bearing and are individually payable in four varying installments every five years based on the completion dates of the respective projects. The amount to be repaid also includes \$140,000, recognized as revenue when received, that each district must pay to cover the County's administrative, accounting and financial costs associated with the agreements.
- (2) A note receivable from the Knoxville-Knox County Community Action Committee (CAC) with an initial balance of \$2,300,000 was originated during the fiscal year ended June 30, 2004. The note resulted from an arrangement between the County and CAC whereby certain proceeds from debt issued by the County were used to construct a facility on CAC's behalf. CAC agreed to reimburse the County by repaying the annual amounts of the County's related debt service requirements. The resulting note receivable is due in varying principal installments, plus interest, through 2022. As of June 30, 2007, \$1,930,000 remained outstanding.
- (3) A loan receivable from the Industrial Development Board of Blount County was made for the purpose of providing financial assistance to the Board for the acquisition and development of property as a business and industrial park. The loan bears interest at 5% annually and is to be repaid from amounts to be received by the Board from land sales and other revenues related to the park. At June 30, 2007, the loan balance was \$5,270,000.

In addition, the County had a note receivable from the Development Corporation; the final \$300,000 installment was paid in fiscal 2007.

The State and Federal Grants Special Revenue Fund had \$3,212,519 of notes receivable at June 30, 2007. These note agreements are from eligible County citizens participating in various state and federal low-income housing projects. These notes are executed with a range of below market interest rates and varying repayment terms.

***Advance to Other Government***

During the fiscal year ended June 30, 2006, the County advanced \$2,500,000 to the Knoxville-Knox County Community Action Committee (CAC). This advance was made to provide funding for operations and is to be repaid from grant monies and other funding received by CAC.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital Assets**

Activity in the County's and the Board's capital assets for the fiscal year ended June 30, 2007, was the following:

**Primary Government**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 92,278,677	\$ 2,992,180	\$ 670,948	\$ 94,599,909
Construction in Progress	30,849,376	20,652,438	9,736,991	41,764,823
Total Capital Assets, not being depreciated	<u>123,128,053</u>	<u>23,644,618</u>	<u>10,407,939</u>	<u>136,364,732</u>
Capital Assets being depreciated:				
Buildings	191,250,111	6,394,741	-	197,644,852
Land Improvements	18,963,183	289,295	-	19,252,478
Machinery and Equipment	33,279,016	1,752,848	292,771	34,739,093
Intangible Assets	17,634,106	1,855,670	-	19,489,776
Infrastructure	477,496,601	6,608,950	-	484,105,551
Total Capital Assets being depreciated	<u>738,623,017</u>	<u>16,901,504</u>	<u>292,771</u>	<u>755,231,750</u>
Less Accumulated Depreciation for:				
Buildings	54,057,075	4,272,355	-	58,329,430
Land Improvements	7,147,831	1,044,081	-	8,191,912
Machinery and Equipment	23,985,255	2,862,322	248,936	26,598,641
Intangible Assets	2,944,068	2,277,773	-	5,221,841
Infrastructure	118,717,429	11,786,063	-	130,503,492
Total Accumulated Depreciation	<u>206,851,658</u>	<u>22,242,594</u>	<u>248,936</u>	<u>228,845,316</u>
Total Capital Assets being depreciated, net	<u>531,771,359</u>	<u>(5,341,090)</u>	<u>43,835</u>	<u>526,386,434</u>
Governmental Activities Capital Assets, net	<u>\$ 654,899,412</u>	<u>\$ 18,303,528</u>	<u>\$ 10,451,774</u>	<u>\$ 662,751,166</u>

Depreciation expense was charged to primary government functions as follows:

Finance and Administration	\$ 207,093
Administration of Justice	2,696,896
Public Safety	1,830,632
Public Health and Welfare	986,538
Social and Cultural Services	2,424,180
Other General Government	2,099,334
Highways	<u>11,997,921</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 22,242,594</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital Assets (Continued)**

**Board of Education**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Component Unit - The Board:</b>				
Capital Assets, not being depreciated:				
Land	\$ 20,126,697	\$ 63,250	\$ 7,000	\$ 20,182,947
Construction in Progress	15,981,384	23,595,455	12,757,808	26,819,031
<b>Total Capital Assets, not being depreciated</b>	<b>36,108,081</b>	<b>23,658,705</b>	<b>12,764,808</b>	<b>47,001,978</b>
Capital Assets being depreciated:				
Buildings	353,867,561	12,937,808	-	366,805,369
Land Improvements	1,170,546	32,599	-	1,203,145
Machinery and Equipment	16,967,834	1,015,647	-	17,983,481
Intangible Assets	364,940	85,437	-	450,377
<b>Total Capital Assets being depreciated</b>	<b>372,370,881</b>	<b>14,071,491</b>	<b>-</b>	<b>386,442,372</b>
Less Accumulated Depreciation for:				
Buildings	132,687,972	6,832,399	-	139,520,371
Land Improvements	296,545	111,206	-	407,751
Machinery and Equipment	11,713,053	1,221,280	-	12,934,333
Intangible Assets	168,778	23,149	-	191,927
<b>Total Accumulated Depreciation</b>	<b>144,866,348</b>	<b>8,188,034</b>	<b>-</b>	<b>153,054,382</b>
<b>Total Capital Assets being depreciated, net</b>	<b>227,504,533</b>	<b>5,883,457</b>	<b>-</b>	<b>233,387,990</b>
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 263,612,614</b>	<b>\$ 29,542,162</b>	<b>\$ 12,764,808</b>	<b>\$ 280,389,968</b>

The following is a summary of the District's capital assets at June 30, 2007:

	<b>The District</b>
Land and Construction in Progress	\$ 181,197
Buildings	5,081,324
Machinery and Equipment	12,309,435
Intangible Assets	29,345
Leasehold Improvements	207,735
Less: Accumulated Depreciation	(9,502,987)
<b>Total</b>	<b>\$ 8,306,049</b>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Interfund and Component Unit Receivables and Payables**

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The composition of the County and component unit interfund receivables and payables as of June 30, 2007, is as follows:

***Due to/from Other Funds - Primary Government:***

Receivable Fund	Payable Fund	Amount
<u>Major Funds:</u>		
General	State and Federal Grants	\$ 2,437,115
	Public Library	93,686
	Solid Waste	156,753
	Drug Control	71
	Highway	43,166
	Constitutional Officers' Special	
	Revenue Fund	713,034
	Vehicle Service Center	556,961
	Public Improvement	13,821
	Employee Retirement	753
	Self Insurance	3,171
	Technical Support Service	671
		<u>4,019,202</u>
Debt Service	Public Improvement	200,000
Public Improvement	General	<u>2,500,263</u>
Total Major Governmental Funds		<u>6,719,465</u>



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Interfund and Component Unit Receivables and Payables (Continued):**

Receivable Fund	Payable Fund	Amount
<u>Nonmajor Special Revenue Funds:</u>		
State and Federal Grants	General	833,162
Governmental Library	General	50,000
Solid Waste	General	5,430
Total Nonmajor Governmental Funds		888,592
Total Governmental Funds		<u>\$ 7,608,057</u>
<u>Internal Service Funds:</u>		
Vehicle Service Center	General	\$ 405,339
	State and Federal Grants	1,138
	Public Library	963
	Solid Waste	7,501
	Highway	70,118
	Self Insurance	110
		<u>485,169</u>
Mailroom Services	General	23,292
	State and Federal Grants	2
	Solid Waste	29
	Highway	24
	Employee Benefits	238
	Employee Retirement	836
	Self Insurance	34
		<u>24,455</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Interfund and Component Unit Receivables and Payables (Continued)**

Receivable Fund	Payable Fund	Amount
Employee Benefits	General	28,496
Technical Support	General	1,190
	State and Federal Grants	255
		1,445
Total Internal Service Funds		\$ 539,565
<u>Fiduciary Funds:</u>		
Pension Trust Fund - Defined Benefit Plan	Employee Retirement	\$ 156,123

***Advances from/to Other Funds - Primary Government:***

Receivable Fund	Payable Fund	Amount
General	Employee Benefits (Internal Service)	\$ 175,000

***Due to/from Primary Government and Component Units:***

Receivable Fund	Payable Fund	Amount
<u>Primary Government - Major Funds:</u>		
General	Component Unit - the Board, General Purpose School	\$ 79,219
	Component Unit - the Board, School Federal Projects	4,081
	Component Unit - the Board, School General Projects	596
	Component Unit - the Board, School Construction	52
	Component Unit - the District	24,912
Total Primary Government - Major Funds		\$ 108,860

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Interfund and Component Unit Receivables and Payables (Continued)**

Receivable Fund	Payable Fund	Amount
<u>Primary Government - Internal Service Funds:</u>		
Vehicle Service Center	Component Unit - the Board, General Purpose School	\$ 412
	Component Unit - the Board, School Federal Projects	1,426
	Component Unit - the District	787
		2,625
Employee Benefits	Component Unit - the District	2,310
Technical Support	Component Unit - the Board, General Purpose School	340
		\$ 5,275
Component Unit - the Board, General Purpose School	Employee Benefits	\$ 179,404
Component Unit - the District	Primary Government - Highway	\$ 25,872
Component Unit - the Board, Capital Projects - School Construction	Primary Government - Debt Service	\$ 2,466,088
	Primary Government - Public Improvement	35,763,902
		\$ 38,229,990
Component Unit - the Board, Pension Trust Fund - Defined Benefit Plan	Primary Government - Employee Retirement	\$ 134,516

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Interfund and Component Unit Receivables and Payables (Continued)**

*Advances from/to Primary Government and Component Units:*

Receivable Fund	Payable Fund	Amount
Primary Government -Major Fund: Debt Service	Component Unit - the District	\$ 4,031,250

*Due to/from Other Funds - The Board:*

Receivable Fund	Payable Fund	Amount
<u>Major Funds:</u>		
General - General Purpose School	School Federal Projects	\$ 1,958,667
	School General Projects	310,040
	Central Cafeteria	75,033
		2,343,740
<u>Nonmajor Special Revenue Funds:</u>		
Central Cafeteria	General Purpose School	2,026,634
School General Projects	General Purpose School	1,082,431
	School Federal Projects	1,808
		1,084,239
School Federal Projects	General Purpose School	350,351
	School General Projects	28,613
		378,964
Total Board of Education		\$ 5,833,577

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Transfers and Similar Transactions**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The composition of primary government transfers for the year ended June 30, 2007, is as follows:

***Primary Government:***

Transfers - In	Transfers - Out	Amount
<u>Major Funds:</u>		
General	Constitutional Officers - Special Revenue Hotel/Motel Tax	\$ 6,269,650 100,000 <hr/> 6,369,650
Debt Service	General	541,002
Capital Projects - Public Improvement	General	<hr/> 5,500,000
Total Major Governmental Funds		<hr/> 12,410,652
<u>Nonmajor Governmental Funds:</u>		
Special Revenue Funds:		
State and Federal Grants	General	1,781,723
Governmental Library	General	97,248
Public Library	General	9,000,000
Solid Waste	General	<hr/> 2,719,923
Total Nonmajor Governmental Funds		<hr/> 13,598,894
Total Governmental Funds		<hr/> <hr/> \$ 26,009,546

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Transfers and Similar Transactions (Continued)**

Transfers - In	Transfers - Out	Amount
<u>Internal Service Funds:</u>		
Vehicle Service Center	General	\$ 300,000
Employee Retirement	Pension Trust - Defined Benefit	927,180
Capital Leasing	General	<u>1,000,000</u>
Total Internal Service Funds		<u><u>\$ 2,227,180</u></u>

***Transfers Within Component Unit – the Board:***

Transfers - In	Transfers - Out	Amount
General Purpose School (Major Fund)	School Federal Projects	<u>\$ 2,937</u>
Special Revenue Funds (Nonmajor):		
School General Projects	General Purpose School	2,487,985
School Federal Projects	General Purpose School	<u>32,895</u>
Total Nonmajor Special Revenue Funds		<u>2,520,880</u>
Total Board of Education		<u><u>\$ 2,523,817</u></u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Transfers and Similar Transactions (Continued)**

*Transactions between Primary Government and Component Units:*

Revenues and Other Sources	Expenses/Expenditures and Other Uses	Amount
Primary Government - Debt Service (Major Fund)	Component Unit - the Board, General Purpose School	\$ 5,646,289
	Component Unit - the Board, School Construction	17,300,000
	Component Unit - the District	<u>283,229</u>
Total Primary Government - Debt Service		<u>\$ 23,229,518</u>
Primary Government - Employee Retirement (Proprietary Fund)	Component Unit - the Board, Pension Trust - Defined Benefit	<u>\$ 927,181</u>
Component Unit - School General Projects	Primary Government - General	<u>\$ 4,148,000</u>
Component Unit - School Construction	Primary Government - Public Improvement	<u>\$ 29,300,000</u>
Component Unit - the District	Primary Government - General	<u>\$ 582,828</u>

*Transactions between the Board and its Component Unit:*

Revenues and Other Sources	Expenses/Expenditures and Other Uses	Amount
Component Unit - Great Schools Partnership	Primary Government - the Board, School General Projects	<u>\$ 4,148,122</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**F. Deferred/Unearned Revenues**

Amounts reported as deferred revenue in the fund financial statements and as unearned revenue in the government-wide financial statements consist of the following:

	Deferred Revenue	Unearned Revenue
Primary Government - Major Funds:		
<u>General Fund:</u>		
Taxes receivable, earned in current fiscal year	\$ 948,114	\$ -
Taxes receivable, applicable to subsequent fiscal year	98,781,298	98,781,298
	99,729,412	98,781,298
<u>Public Improvement Fund:</u>		
Unexpended grant funds	328	328
	328	328
<u>Debt Service Fund:</u>		
Taxes receivable, earned in current fiscal year	897,483	-
Taxes receivable, applicable to subsequent fiscal year	27,392,164	27,392,164
Notes receivable, applicable to subsequent fiscal year	11,231,250	11,219,250
	39,520,897	38,611,414
Primary Government - Nonmajor Funds:		
<u>General Grants Fund:</u>		
Unexpended grant funds	4,701,307	4,701,307
	4,701,307	4,701,307
<u>Public Library Fund:</u>		
Taxes receivable, earned in current fiscal year	15,633	-
	15,633	-
<u>Fire District:</u>		
Taxes receivable, applicable to subsequent fiscal year	185,810	185,810
	185,810	185,810
<u>Solid Waste Fund:</u>		
Taxes receivable, earned in current fiscal year	5,744	-
	5,744	-
<u>ADA Construction Fund:</u>		
Taxes receivable, earned in current fiscal year	1,389	-
	1,389	-
Total Nonmajor Governmental Funds	4,909,883	4,887,117
<u>Internal Service - Employee Benefits Fund:</u>		
Unearned revenue	10,883	10,883
	10,883	10,883
Total - Primary Government	\$ 144,171,403	\$ 142,291,040



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**F. Deferred/Unearned Revenues (Continued)**

	Deferred Revenue	Unearned Revenue
Component Unit - the Board - Major Fund		
<u>General Purpose School:</u>		
Taxes receivable, earned in current fiscal year	\$ 4,968,396	\$ -
Taxes receivable, applicable to subsequent fiscal year	102,098,067	102,098,067
	107,066,463	102,098,067
Component Unit - the Board - Nonmajor Funds		
<u>School Federal Projects:</u>		
Unexpended grant funds	159,939	159,939
<u>School General Projects:</u>		
Unexpended grant funds	218,864	218,864
<u>Central Cafeteria:</u>		
Unearned revenue	59,366	59,366
	107,504,632	102,536,236
Total Component Unit - the Board	\$ 107,504,632	\$ 102,536,236
<u>Component Unit - Great Schools Partnership:</u>		
Unexpended Donations	\$ 36,500	\$ 36,500
	36,500	36,500

**G. Leases**

***Operating Leases***

The County leases various facilities under noncancelable operating leases. Total costs for such leases for the County were \$2,400 for the year ended June 30, 2007. The future minimum lease payments as of June 30, 2007, were as follows:

Year Ending June 30	Primary Government
2008	\$ 2,400
2009	2,400
2010	2,400
2011	2,400
2012	2,400
2013-2017	12,000
2018-2022	12,000
2023	2,400
	38,400
Total	\$ 38,400

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**G. Leases (Continued)**

*Capital Leases*

The District, a component unit of the County, leases various equipment through capital leasing arrangements. The District's capital lease obligations are reflected as fund liabilities.

The future minimum lease obligations for the District are as follows:

Year Ending June 30,	<u>Component Unit</u> The District
2008	\$ 1,283,791
2009	980,987
2010	677,521
2011	<u>670,922</u>
Total Minimum Lease Payments	3,613,221
Less: Amounts Representing Interest	<u>(203,912)</u>
Present Value of Minimum Lease Payments	<u>\$ 3,409,309</u>

Capital lease obligations currently outstanding for the District are as follows:

Lessor	Purpose	Interest Rate	Last Maturity Date	Principal Balance
<b><u>Component Unit:</u></b>				
<b>The District</b>				
G.E. Capital	Communications Equipment	4.28%	12/18/2008	<u>\$ 874,309</u>
Sun Trust Leasing	CAD/CTI Equipment	3.31%	10/1/2010	<u>\$ 2,535,000</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities**

***General Obligation and Public Improvement Bonds***

The County issues general obligation and public improvement bonds to provide funds for the acquisition and construction of major capital facilities.

For financial reporting purposes, the portion of those bond issues related to the Board are recorded directly as bond proceeds in the Board's Capital Projects Fund. The County issues all the debt on behalf of the Board, in the County's name and with a full faith and credit pledge from the County. Therefore, from a legal perspective, the debt is County debt. In practice, the County's Five-Year Capital Plan, its Debt Service Fund and its Operating Budget are all developed with the Board providing funds from its operations to make the debt payments related to County debt issued on behalf of the Board. However, as all bonded indebtedness is County debt, the entire balance is recorded as a liability of the primary government in the government-wide financial statements.

As all bonded indebtedness is County debt, the portion issued on behalf of the Board is not considered capital-related debt in the primary government's statement of net assets. However, the total amount of the County's bonded indebtedness is considered capital-related in the total reporting entity column of the statement of net assets.

Bond indebtedness for the County is backed by the full faith and credit of the County.

Bonds payable to be repaid from resources of the County and the Board currently outstanding are as follows:

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

	Interest Rate	Last Maturity Date	Principal Balance
<b>Governmental Activities:</b>			
General Obligation - Women's Basketball Hall of Fame	Variable Rate	6/1/2018	\$ 5,935,000
General Obligation - Series 2000	5.00-5.10%	5/1/2008	1,044,230
General Obligation - Refunding Series 2001	4.50-5.50%	4/1/2012	19,562,559
General Obligation Public Improvement, Series 2001	5.00-5.50%	5/1/2012	11,646,875
Andrew Johnson - Refunding Series 2002	4.00-4.50%	5/1/2011	1,258,320
General Obligation - Refunding Series 2002A	4.00-5.50%	4/1/2019	29,719,213
General Obligation - Refunding Bonds, Series 2003	4.00-5.00%	4/1/2014	24,828,668
General Obligation - Refunding Bonds, Series 2003A	5.00%	2/1/2017	4,978,776
General Obligation - Series 2003	Variable Rate Swap to 4.50%	6/1/2029	37,329,800
General Obligation - Refunding Series 2004	4.00-5.25%	4/1/2020	13,053,340
General Obligation - Series 2004	Variable Rate Swap to 4.00%	6/1/2029	45,605,714
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	29,083,377
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	49,448,053
General Obligation - Series 2007	Variable Rate	6/1/2034	<u>50,450,000</u>
Total Bonded Debt to be repaid by Governmental Activities			<u>323,943,925</u>
<b>The Board:</b>			
General Obligation Pension Refunding Bonds - Series 1998	6.375%	5/1/2008	705,000
General Obligation - Series 2000	5.00-5.10%	5/1/2008	1,670,770
Qualified Zone Academy Bonds	0.00%	11/1/2011	1,077,335
General Obligation - Refunding Series 2001	4.50-5.50%	4/1/2012	11,402,442
General Obligation Public Improvement, Series 2001	5.00-5.50%	5/1/2012	6,988,125
Andrew Johnson - Refunding Series 2002	4.00-4.50%	5/1/2011	2,416,680
General Obligation - Refunding Series 2002A	4.00-5.50%	4/1/2019	49,195,787
General Obligation - Refunding Series 2003	4.00-5.00%	4/1/2014	22,946,332
General Obligation - Refunding Series 2003A	5.00%	2/1/2017	11,341,224
General Obligation - Series 2003	Variable Rate Swap to 4.50%	6/1/2029	31,920,200
General Obligation - Refunding Series 2004	4.00-5.25%	4/1/2020	18,401,660
General Obligation - Series 2004	Variable Rate Swap to 4.00%	6/1/2029	23,794,286
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	18,526,623
General Obligation - Refunding Series 2005B	3.65-5.00%	5/1/2018	10,935,000
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	26,701,947
General Obligation - Series 2007	Variable Rate	6/1/2034	<u>18,550,000</u>
Total Bonded Debt to be repaid by the Board			<u>256,573,411</u>
Total Bonded Debt			<u>\$ 580,517,336</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

Annual debt service requirements to maturity for bonds and notes payable to be repaid by the County and the Board are as follows:

Fiscal Year Ending June 30,	Primary Government Debt			To be Repaid By:		
	Principal	Interest	Total	County	Board	Total
2008	\$ 24,185,467	\$ 27,777,425	\$ 51,962,892	\$ 28,748,530	\$ 23,214,362	\$ 51,962,892
2009	25,510,467	26,868,185	52,378,652	29,016,965	23,361,687	52,378,652
2010	27,145,467	25,668,299	52,813,766	28,968,443	23,845,323	52,813,766
2011	28,580,467	24,379,636	52,960,103	29,041,278	23,918,825	52,960,103
2012	29,760,468	22,970,772	52,731,240	27,591,248	25,139,992	52,731,240
2013-2017	160,180,000	91,013,139	251,193,139	128,544,589	122,648,550	251,193,139
2018-2022	95,380,000	56,155,348	151,535,348	89,672,193	61,863,155	151,535,348
2023-2027	59,660,000	40,406,950	100,066,950	63,121,601	36,945,349	100,066,950
2028-2032	92,240,000	22,579,275	114,819,275	76,922,930	37,896,345	114,819,275
2033-2034	37,875,000	2,862,500	40,737,500	28,221,627	12,515,873	40,737,500
<b>Total</b>	<b>\$ 580,517,336</b>	<b>\$ 340,681,529</b>	<b>\$ 921,198,865</b>	<b>\$ 529,849,404</b>	<b>\$ 391,349,461</b>	<b>\$ 921,198,865</b>

The total bonded debt service requirements to be repaid by the County and the Board include interest of \$205,905,479 and \$134,776,050 respectively, for a total of \$340,681,529.

***Changes in General Long-Term Liabilities***

The following represents the changes in long-term liabilities for the County, the Board, and the District for the year ended June 30, 2007:

	Balance July 1	Additions	Deductions	Balance June 30	Current Portion
<b>Primary Government</b>					
Bonded Debt	\$ 534,497,803	\$ 69,000,000	\$ (22,980,467)	\$ 580,517,336	\$ 24,185,467
Unamortized Bond Premium	16,593,645	-	(1,958,330)	14,635,315	1,870,356
Unamortized Amount on Refunding	(10,734,538)	-	1,172,960	(9,561,578)	(1,133,435)
Compensated Absences	4,495,297	5,057,077	(4,778,285)	4,774,089	4,296,680
<b>Total - Primary Government</b>	<b>\$ 544,852,207</b>	<b>\$ 74,057,077</b>	<b>\$ (28,544,122)</b>	<b>\$ 590,365,162</b>	<b>\$ 29,219,068</b>
<b>Component Unit - the Board</b>					
Compensated Absences	\$ 1,597,330	\$ 1,756,584	\$ (1,665,136)	\$ 1,688,778	\$ 1,519,900
<b>Component Unit - the District</b>					
Capital Leases	\$ 4,551,922	\$ -	\$ (1,142,613)	\$ 3,409,309	\$ 1,283,791
Compensated Absences	179,052	238,931	(245,402)	172,581	153,908
<b>Total - the District</b>	<b>\$ 4,730,974</b>	<b>\$ 238,931</b>	<b>\$ (1,388,015)</b>	<b>\$ 3,581,890</b>	<b>\$ 1,437,699</b>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

***Prior Year Defeasance of Debt***

In prior years, the County defeased certain general obligation and other bonds by placing the proceeds of the new bonds in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On June 30, 2007, \$103,040,000 of bonds outstanding is considered defeased.

***Subsequent Event-Debt Issuance***

During the fiscal year ended June 30, 2007, the Knox County electorate voted to allow uniformed officers the option of a defined benefit retirement plan. Management of the County, along with its Retirement Office Pension Board and its pension consultants, estimated that the cost to provide future benefits to eligible participants applicable to services already rendered at the inception of the plan would approximate \$ 57,000,000. The plan will be offered to eligible employees beginning in the fiscal year ending June 30, 2008. Accordingly, subsequent to June 30, 2007, the County issued general obligation pension bonds with principal payments in varying amounts through 2027 totaling \$57,000,000, plus interest at rates ranging from 4.75 to 5.75 percent.

***Interest Rate Swaps***

Under its loan agreement, the Public Building Authority of Blount County, TN (the "Authority"), at the request of the County, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series C-1-A.

*Objective of the interest rate swap.* In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the County requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$72 million Series C-1-A variable-rate bonds. The intention of the swap was to effectively change the County's variable interest rate on the bonds to a synthetic fixed rate.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

*Interest Rate Swaps (Continued)*

*Terms.* Under the swap, the Authority pays the counterparty a fixed payment of 3.95 percent and receives a variable payment computed as 63.2 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$72 million and the associated variable-rate bond has a \$72 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series C-1-A Bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal Index™ (the "BMA"). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2007, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.95%
Variable payment to Authority	% of LIBOR	-3.35%
Net interest rate swap payments		0.60%
Variable-rate bond coupon payments		3.95%
Synthetic interest rate on bonds		4.55%

*Fair value.* As of June 30, 2007, the swap had a negative fair value of \$1,441,488. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

*Credit risk.* As of June 30, 2007, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the Authority, on behalf of the County, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, who was rated "AAA" by Standard and Poor's and Fitch and "Aaa" by Moody's Investor Service as of June 30, 2007. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

*Interest Rate Swaps (Continued)*

*Basis risk.* As noted above, the swap exposes the County to basis risk should BMA increase to above 63.2% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 63.2% of LIBOR, then the synthetic rate on the bonds will decrease.

*Termination risk.* The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an “additional termination provision.” The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap’s fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap’s fair value.

*Swap payments and associated debt.* As of June 30, 2007, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	<u>Variable Rate Bonds</u>		Net Interest Rate	Total
	Principal	Interest	Swap Payment	
2008	975,000	2,735,375	415,500	4,125,875
2009	1,025,000	2,696,863	409,650	4,131,513
2010	1,175,000	2,656,375	403,500	4,234,875
2011	1,300,000	2,609,963	396,450	4,306,413
2012	2,075,000	2,558,613	388,650	5,022,263
2013-2017	12,400,000	11,460,925	1,740,900	25,601,825
2018-2022	16,650,000	8,697,900	1,321,200	26,669,100
2023-2027	22,550,000	4,973,050	755,400	28,278,450
2028-2029	11,100,000	664,588	100,950	11,865,538
	<b>\$ 69,250,000</b>	<b>\$ 39,053,652</b>	<b>\$ 5,932,200</b>	<b>\$ 114,235,852</b>

Under its loan agreement, the Public Building Authority of Sevier County, TN (the “Authority”), at the request of the County, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series VI-A-1.



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

*Interest Rate Swaps (Continued)*

*Objective of the interest rate swap.* In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the County requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$70 million Series VI-A-1 variable-rate bonds. The intention of the swap was to effectively change the County’s variable interest rate on the bonds to a synthetic fixed rate.

*Terms.* Under the swap, the Authority pays a fixed payment of 3.745 percent and receives a variable payment computed as 59 percent of the five-year London Interbank Offered Rate (LIBOR) plus 35 basis points. The swap has a notional amount of \$70 million and the associated variable-rate bond has a \$70 million original principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series VI-A-1 Bonds. The bonds’ variable-rates have historically approximated the Bond Market Association Municipal Index™ (the “BMA”). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2007, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.75%
Variable payment to Authority	% of LIBOR	-3.13%
Net interest rate swap payments		0.62%
Variable-rate bond coupon payments		3.81%
Synthetic interest rate on bonds		4.43%

*Fair value.* As of June 30, 2007, the swap had a positive fair value of \$566,449. The positive fair value of the swap may be countered by increases in total interest payments required under the variable-rate bond, creating higher synthetic rates. Because the rates on the government’s variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

*Credit risk.* As of June 30, 2007, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the derivative’s fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the Authority, on behalf of the County, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, who was rated “AAA” by Standard and Poor’s and Fitch and “Aaa” by Moody’s Investor Service as of June 30, 2007. If Ambac’s credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

*Interest Rate Swaps (Continued)*

*Basis risk.* As noted above, the swap exposes the County to basis risk should BMA increase to above 59% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 59% of LIBOR, then the synthetic rate on the bonds will decrease.

*Termination risk.* The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an “additional termination provision.” The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap’s fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap’s fair value.

*Swap payments and associated debt.* As of June 30, 2007, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	<u>Variable Rate Bonds</u>		Net Interest Rate	
	Principal	Interest	Swap Payment	Total
2008	\$ 400,000	\$ 2,644,140	\$ 430,280	\$ 3,474,420
2009	500,000	2,628,900	427,800	3,556,700
2010	600,000	2,609,850	424,700	3,634,550
2011	700,000	2,586,990	420,980	3,707,970
2012	800,000	2,560,320	416,640	3,776,960
2013-2017	10,100,000	12,131,040	1,974,080	24,205,120
2018-2022	19,100,000	9,351,645	1,521,790	29,973,435
2023-2027	25,160,000	5,272,278	857,956	31,290,234
2028-2029	12,040,000	693,801	112,902	12,846,703
	<u>\$ 69,400,000</u>	<u>\$ 40,478,964</u>	<u>\$ 6,587,128</u>	<u>\$ 116,466,092</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

*Interest Rate Swaps (Continued)*

Under its loan agreement, the Public Building Authority of Blount County, TN (the “Authority”), at the request of the County, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series D-3-A.

*Objective of the interest rate swap.* In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the County requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$77 million Series D-3-A variable-rate bonds. The intention of the swap was to effectively change the County’s variable interest rate on the bonds to a synthetic fixed rate.

*Terms.* Under the swap, the Authority pays the counterparty a fixed payment of 3.89 percent and receives a variable payment computed as 63.2 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$77 million and the associated variable-rate bond has a \$77 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series D-3-A Bonds. The bonds’ variable-rates have historically approximated the Bond Market Association Municipal Index (the “BMA”). The bonds and the related swap agreement mature on June 1, 2034. As of June 30, 2007, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.89%
Variable payment to Authority	% of LIBOR	-3.37%
Net interest rate swap payments		0.52%
Variable-rate bond coupon payments		3.81%
Synthetic interest rate on bonds		4.33%

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

*Interest Rate Swaps (Continued)*

*Fair value.* As of June 30, 2007, the swap had a negative fair value of \$883,269. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

*Credit Risk.* As of June 30, 2007, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the Authority, on behalf of the County, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, who was rated "AAA" by Standard and Poor's and Fitch and "Aaa" by Moody's Investor Service as of June 30, 2007. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

*Basis risk.* As noted above, the swap exposes the County to basis risk should BMA increase to above 63.2 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 63.2 percent of LIBOR, then the synthetic rate on the bonds will decrease.

*Termination risk.* The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap's fair value.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Liabilities (Continued)**

*Interest Rate Swaps (Continued)*

*Swap payments and associated debt.* As of June 30, 2007, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate	
	Principal	Interest	Swap Payment	Total
2008	\$ 975,000	\$ 2,901,315	\$ 395,980	\$ 4,272,295
2009	1,100,000	2,864,168	390,910	4,355,078
2010	1,225,000	2,822,258	385,190	4,432,448
2011	1,350,000	2,775,585	378,820	4,504,405
2012	1,475,000	2,724,150	371,800	4,570,950
2013-2017	9,275,000	12,681,585	1,730,820	23,687,405
2018-2022	10,825,000	10,668,000	1,456,000	22,949,000
2023-2027	5,475,000	9,110,663	1,243,450	15,829,113
2028-2032	26,675,000	7,238,048	987,870	34,900,918
2033-2034	17,775,000	1,022,985	139,620	18,937,605
	<u>\$ 76,150,000</u>	<u>\$ 54,808,757</u>	<u>\$ 7,480,460</u>	<u>\$ 138,439,217</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**I. Fund Equity**

*Reserves and Designations*

The amounts reported on the balance sheets as reserved fund balance and designated fund balance for the County are comprised of the following:

<u>Primary Government</u>	<u>Reserved Fund Balance</u>	<u>Designated Fund Balance</u>
<u>Major Funds:</u>		
<u>General Fund:</u>		
Advances	\$ 175,000	\$ -
Inventories	133,868	-
Prepaid Items	607,969	-
Investment in Joint Venture	5,820,125	-
Reserved for Appropriations - various	940,023	-
Encumbrances	806,968	-
Designated for Appropriations - various	-	229,612
Equipment	-	1,061,000
Software	-	217,288
Donations - DARE	19,070	-
Juvenile Court	5,275	-
Attorney General	337,986	-
Indigent Care	19,421	-
Motor Vehicles	-	754,910
Building Improvements	-	270,000
Capital Improvement Plan	-	495,032

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**I. Fund Equity (Continued)**

<u>Primary Government</u>	<u>Reserved Fund Balance</u>	<u>Designated Fund Balance</u>
General Fund (Continued)		
Sheriff's Rewards	2,000	-
John Tarleton	2,030	-
School Health Program	434,903	-
Public Defender	<u>2,013</u>	<u>-</u>
Total General Fund	<u>9,306,651</u>	<u>3,027,842</u>
<u>Major Capital Projects Fund:</u>		
Public Improvement Fund:		
Encumbrances	<u>12,605,044</u>	<u>-</u>
<u>Debt Service Fund:</u>		
Notes Receivable/Coupons Matured	<u>6,040,000</u>	<u>3,645</u>
<u>Nonmajor Governmental Funds:</u>		
<u>Nonmajor Special Revenue Funds:</u>		
State and Federal Grants Fund:		
Encumbrances	649,700	-
Inventories	5,876	-
Reserve for Appropriation	231,657	-
Designated for Appropriation	-	217,913
<u>Public Library Fund:</u>		
Encumbrances	8,233	-

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**I. Fund Equity (Continued)**

<u>Primary Government</u>	<u>Reserved Fund Balance</u>	<u>Designated Fund Balance</u>
<u>Nonmajor Special Revenue Funds (Continued)</u>		
Public Library Fund (Continued):		
Designated for Appropriations	-	14,355
Hotel/Motel Fund:		
Reserve for appropriations	755,130	-
Designated for Appropriations	-	325,000
Drug Control Fund:		
Drug Seizures	31,451	-
Encumbrances	56,885	-
Highway Fund:		
Encumbrances	430,631	-
Designated for Appropriations	-	2,027,000
Total - Nonmajor Special Revenue Funds	<u>2,169,563</u>	<u>2,584,268</u>
<u>Nonmajor Capital Projects Fund:</u>		
ADA Construction:		
Encumbrances	648,843	-
Total Nonmajor Governmental Funds	<u>2,818,406</u>	<u>2,584,268</u>
<u>Fiduciary Funds:</u>		
Pension Trust - DB Plan		
Employee's Pension Benefits	82,200,728	-
Pension Trust - DC Plan	223,378,115	-
Pension Trust - Medical DC Plan	6,168,954	-
Total Fiduciary Funds	<u>311,747,797</u>	<u>-</u>
Total - Primary Government	<u>\$ 342,517,898</u>	<u>\$ 5,615,755</u>



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**I. Fund Equity (Continued)**

The amounts reported on the balance sheets as reserved fund balance and designated fund balance for the Board, are comprised of the following:

<u>Component Unit - the Board</u>	<u>Reserved Fund Balance</u>	<u>Designated Fund Balance</u>
<u>Major Funds:</u>		
General Fund:		
General Purpose School Fund:		
Encumbrances	\$ 4,368,779	\$ -
Inventories	940,382	-
Prepaid Items	1,181,935	-
Designated for Appropriation	-	<u>7,157,777</u>
Total General Purpose School Fund	<u>6,491,096</u>	<u>7,157,777</u>
Capital Projects Fund:		
School Construction Fund:		
Encumbrances	<u>10,405,936</u>	<u>-</u>
<u>Nonmajor Special Revenue Funds:</u>		
School General Projects Fund:		
Encumbrances	136,112	-
Programs	1,607,786	-
School Federal Projects Fund:		
Encumbrances	148,584	-
Donations	1,158	-
Prepaid Items	71,339	-
Central Cafeteria Fund:		
Encumbrances	33,992	-
Inventories	<u>173,727</u>	<u>-</u>
Total Nonmajor Special Revenue Funds	<u>2,172,698</u>	<u>-</u>

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**I. Fund Equity (Continued)**

Component Unit - the Board	Reserved Fund Balance	Designated Fund Balance
<u>Fiduciary Fund:</u>		
Pension Trust Fund:		
Employee's Pension Benefits	85,609,988	-
Total - the Board	\$ 104,679,718	\$ 7,157,777

**J. Property Taxes**

Property taxes levied by the County Commission are the primary source of revenue for the County and the Board. Assessed values are established by the State of Tennessee at the following rates of assumed market value:

Personal Property	30 %
Railroads, Industrial and Commercial Property	40 %
Public Utility	55 %
Residential and Farm Real Property	25 %

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)**

**J. Property Taxes (Continued)**

Taxes were levied at a rate of \$2.69 per \$100 of assessed values. Tax collections of \$207,118,448 for fiscal year 2007 were approximately 96.4 percent of the total tax levy.

The 2007 fiscal year property tax rate of \$2.69 was divided between the County and the Board as follows:

	Amount	Percent of Total
<u>Primary Government:</u>		
General Fund	\$ 1.24	46.10%
Debt Service Fund	0.22	8.18%
Total - Primary Government	1.46	54.28%
 <u>Component Unit - the Board:</u>		
General Fund - General		
Purpose School Fund	1.23	45.72%
Total Tax Levy	\$ 2.69	100.00%

The 2008 fiscal year property tax rate of \$2.69 is divided as follows:

	Amount	Percent of Total
<u>Primary Government:</u>		
General Fund	\$ 1.13	42.01%
Debt Service Fund	0.33	12.27%
Total - Primary Government	1.46	54.28%
 <u>Component Unit - the Board:</u>		
General Fund - General		
Purpose School Fund	1.23	45.72%
Total Tax Levy	\$ 2.69	100.00%

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE IV. OTHER INFORMATION**

**A. Joint Ventures**

The County is a participant in a joint venture with the City of Knoxville and the Knoxville Utilities Board in the operation of the Geographic Information Systems. The Geographic Information Systems was established to create and maintain a digitized mapping system of Knox County. Each of the participants appoints one of the three board members who oversee the operations. In March 1987, the County issued public improvement bonds, which included \$5,500,000 used to install the geographic information system. In accordance with the terms of the joint venture agreement, payments are shared between the County, the City of Knoxville and the Knoxville Utilities Board. In the 2007 fiscal year, the joint venture received 74 percent of its revenues from the participants in the joint venture. The Geographic Information Systems charged the County \$492,178 in user service fees for the year ended June 30, 2007. The County does not retain an equity interest in the joint venture. Complete separate financial statements for the Geographic Information Systems may be obtained at 606 Main Street, Suite 150, Main Place, Knoxville, TN 37902.

The County is a participant in a joint venture with the City of Knoxville in the operation of the Animal Center, which was established to administer the service delivery system for the care of animals. The Animal Center Board consists of eleven members appointed by the Mayor of the City of Knoxville, the Knox County Mayor, the Knox County Commission, and the Knoxville Academy of Veterinary Medicine. The Center's operations are primarily funded by the City of Knoxville and Knox County. In the 2007 fiscal year, the joint venture received 60 percent of its revenues from the City of Knoxville and Knox County. Complete separate financial statements may be obtained at 3201 Division Street, Knoxville, TN 37919.

The County is a participant in a joint venture with the City of Knoxville in the operation of the Public Building Authority of the County of Knox and the City of Knoxville, Tennessee (PBA). The Authority was created to purchase, construct, refurbish, maintain and operate certain public building complexes to house the governments of the County and the City of Knoxville. The County appoints six of an eleven-member board of directors, which oversee the operations of PBA. The fact that the County appoints a majority of the board is negated by the participants' agreements calling for joint control of PBA. The County retains an equity interest in the joint venture. Complete separate financial statements for PBA may be obtained at Room M-22, City County Building, 400 Main Avenue, Knoxville, TN 37902.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE IV. OTHER INFORMATION (Continued)**

**B. Related Organizations**

The County is responsible for all of the board appointments of the Knox County Housing Authority and the Knox County Industrial Development Board. However, the County has no further accountability for either of these organizations.

The County is responsible for a minority of the board appointments for the Knoxville-Knox County Community Action Committee. During the year ended June 30, 2007, the County appropriated operating subsidies of \$1,299,266 to the Community Action Committee.

The County and the Tourism & Sports Development Corporation of Knoxville/Knox County (TSDC) have entered into a contract for the operations management of the Women’s Basketball Hall of Fame (the Hall). The County will pay TSDC a management fee. Pursuant to that contract, TSDC will manage the day-to-day operations and events at the facility and will collect revenues for the County and pay the operating expenses from these revenues. All revenues collected by TSDC are the property of the County and held by TSDC in trust as public funds and applied to pay operating expenses in accordance with the budget. To the extent revenues are insufficient, TSDC will pay operating expenses out of its management fee. The revenues and expenses for the operation of the Hall are as follows:

Revenues from Operations	\$	430,709
Management Fee		150,000
Total Revenues		<u>580,709</u>
Total Expenses		<u>(577,513)</u>
Net Income	\$	<u><u>3,196</u></u>

Pursuant to the contract, which commenced on September 1, 1999 and expires on June 30, 2013, to the extent revenues and the management fee payable to TSDC are insufficient to cover operating expenses, such deficiency shall be paid by TSDC from such funds as are available to TSDC for such purpose.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE IV. OTHER INFORMATION (Continued)**

**C. Risk Financing**

The County has established risk-financing funds (the Employee Benefits Fund and the Self Insurance Fund) associated with the employee's health insurance plan and payments to cover worker's compensation and general liability claims and settlements, respectively. The Board and the District (component units), the Geographic Information Systems and the Animal Center (joint ventures between the County and the City of Knoxville), and the Knox County-City of Knoxville Metropolitan Planning Commission (a separate governmental organization) also participate in the plan.

The risk financing funds are accounted for as internal service funds where assets are set aside for claim settlements. Throughout fiscal year 2007, the County continued offering fully insured health coverage to County employees and their families through either Cigna Healthcare of Tennessee or Cariten Healthcare.

In the Self Insurance Fund, each fund, participating Component Unit, and participating outside entity is charged for claims incurred during the year and estimated claims at year-end. The total charges for the funds are calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims.

Liabilities of the funds are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation and recent claim settlements. Changes in the balances of claims during the past two fiscal years are as follows:

	Employee Benefits Fund - Medical Claims, and Unemployment Compensation		Self Insurance Fund - General Liability, and Workers' Compensation	
	Fiscal Year 2007	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2006
Unpaid Claims - Beginning Balance	\$ -	\$ -	\$ 7,340,510	\$ 7,057,135
Incurred Claims (Including IBNR's)	94,842	91,532	2,282,566	1,491,589
Claim Payments	(94,842)	(91,532)	(2,881,316)	(1,208,214)
Unpaid Claims - Ending Balance	\$ -	\$ -	\$ 6,741,760	\$ 7,340,510

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE IV. OTHER INFORMATION (Continued)**

**C. Risk Financing (Continued)**

The County and the Board purchase insurance coverage for personal and real property. The Board also purchases health insurance coverage. The District purchases insurance coverage for personal and real property, general liability and workers' compensation coverage. The County and its component units have had no significant reduction in insurance coverage over the last three years. Settlements have not exceeded insurance coverage in the past three fiscal years.

**D. Other Post Employment Benefits**

As authorized in a local resolution, the County provides post-retirement health care benefits for County and non-certified school retirees and their dependents. The retiree is responsible for paying 100 percent of the related premium. The premiums are recorded as revenue in the County's Employee Benefits Fund and used to offset retiree insurance expenditures during the year. The retirees who have chosen to participate in the County's medical insurance plan have not been evaluated on a separate experience rating from those of existing County and Board employees. Therefore, participating retirees contribute the same premium as existing employees, plus the amount the employer contributes for existing employees.

During the 2007 fiscal year, an average of 443 retirees and/or their dependents were participating in the plan. For the fiscal year ended June 30, 2007, retiree insurance expenditures were \$877,298 and total retiree contributions were \$877,298.

**E. Commitments and Contingencies**

The County and its component units are parties to various legal proceedings, a number of which normally occur in governmental operations. As discussed in Note IV.C., amounts have been accrued in the County's Self Insurance Fund for the estimated amounts of claims liabilities.

The County receives significant financial assistance from the Federal and State governments in the form of grants and entitlements. These programs are subject to various terms and conditions, compliance with which is the responsibility of the County. These programs are subject to financial and compliance audits by the grantor agencies. Any costs disallowed as a result of such audits could become a liability of the County. As of June 30, 2007, the amount of any liabilities that could result from such audits cannot be determined. However, the County believes that any such amounts would not have a material adverse effect on the County's financial position.

The County and the Board have several outstanding construction projects as of June 30, 2007. The County also has a five-year Capital Improvement Plan which addresses major capital needs for the County and the Board. Although the Capital Improvement Plan does not represent legal appropriations or contractual commitments, it does represent priorities as determined by the County and the Board.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE IV. OTHER INFORMATION (Continued)**

**E. Commitments and Contingencies (Continued)**

The following represents capital projects funds spent to date, current contractual obligations, and future plans as presented in the Capital Improvement Plan for the five fiscal years beginning July 1, 2008 and ending June 30, 2012:

	Spent to Date	Contractual Commitment Remaining at June 30, 2007	Capital Improvement Plan July 1, 2008 - June 30, 2012
<u>Primary Government:</u>			
Dutchtown Road Functional Planning	\$ 5,458,249	\$ 3,643,427	\$ 2,500,000
East Tennessee Historical Society	19,216,533	26,986	-
Ballcamp Road Improvements	11,561,790	4,201,992	50,000
Convenience Centers & Yard Waste	2,898,032	503,361	210,000
Stormwater Management Plan	4,772,541	97,790	3,000,000
Karns Connector	3,070,630	-	-
Lovell Road	1,942,295	742,540	-
Senior Centers	4,032,869	269,380	31,000
Veteran's Nursing Home	4,817,403	-	-
Economic Development	17,392,365	-	-
Finance Software Upgrade System	5,568,646	-	-
Burlington Branch Library	2,889,281	8,893	-
Other Projects	170,551,771	3,110,675	106,763,334
<b>Total - Primary Government</b>	<b>\$ 254,172,405</b>	<b>\$ 12,605,044</b>	<b>\$ 112,554,334</b>
<u>Component Unit - the Board:</u>			
Amherst Elementary (formerly Ridgedale)	\$ 15,949,909	\$ 21,182	\$ -
Powell Middle	1,122,009	6,934	-
Holston Middle	11,555,118	291,922	-
Cedar Bluff - K-3	10,577,605	6,482,288	-
Gibbs Elementary	15,204,854	145,006	-
Other Projects	34,208,560	3,458,604	71,500,000
<b>Total - the Board</b>	<b>\$ 88,618,055</b>	<b>\$ 10,405,936</b>	<b>\$ 71,500,000</b>



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE IV. OTHER INFORMATION (Continued)**

**E. Commitments and Contingencies (Continued)**

Construction projects for both the County and the Board are primarily funded by general obligation bonds.

**F. Deferred Compensation**

The County and the Board jointly offer their employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The District also offers its employees a separate deferred compensation plan. The plans, available to all full-time County, Board and District employees at their option, permit participants to defer a portion of their salary, at least \$20 per month, until future years. The deferred compensation is not available to participants until termination, retirement, death or an unforeseeable emergency.

**G. Constitutional Officers**

The Constitutional Officers Special Revenue Fund includes the operations of the following elected officials:

*Trustee* - serves as the treasurer and primary investment manager of the County's funds and manages property tax collection efforts.

*Knox County Clerk* - serves as the Clerk of the County Commission. Principally engaged in the sale of motor vehicle licenses and acceptance of applications of motor vehicle registrations of the State of Tennessee.

*Circuit and General Sessions, Criminal and Fourth Circuit Courts Clerks and Clerk and Master* - serve as the clerical and support staff for the various courts for both civil and criminal proceedings.

*Register of Deeds* - collects various fees for the recording of conveyances, trust deeds, chattels, charters, plats and other legal instruments.

These officials, responsible for the collection and remittance of State, County and other funds, earn fees and commissions for their services.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE IV. OTHER INFORMATION (Continued)**

**G. Constitutional Officers (Continued)**

The operations of the Constitutional Officers are operated under the provisions of Section 8-22-104, Tennessee Code Annotated (TCA). Salaries and related benefits of the officials and staff are paid from fees and commissions earned. Fees earned in excess of these costs are remitted to the County's General Fund, less an allowance of three months of anticipated operating expenses retained in the respective fee account. Salaries for clerical assistance were supported by chancery court decrees that were obtained under provisions of Section 8-20-101, et seq., TCA. These activities are accounted for in the County's Constitutional Officers' Special Revenue Fund.

Collections and payments for litigants, heirs and others are accounted for in the County's Constitutional Officers' Agency Fund.

Other operating costs of these offices (excluding salaries and benefits) are accounted for in the County's General Fund. These budgeted amounts are approved by the County Commission in accordance with the County Charter. Fees remitted by the officials in excess of salaries and benefits are used to offset the cost to the General Fund.

Included in the Supplementary Schedules of the County's Comprehensive Annual Financial Report are schedules (reported on the cash basis of accounting) of detailed operations of the respective offices for the fiscal year ended June 30, 2007. These schedules only include the cash operations of the offices. They do not include the expenditures reported in the County's General Fund.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE IV. OTHER INFORMATION (Continued)**

**G. Constitutional Officers (Continued)**

The following schedule presents the activity reported in the Constitutional Officers' Special Revenue Fund and expenditures reported in the County's General Fund.

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds
<b>Constitutional Officers Special Revenue Fund:</b>						
Revenues	\$ 6,503,983	\$ 5,929,332	\$ 1,432,985	\$ 4,098,288	\$ 1,192,439	\$ 3,318,628
Expenditures	(3,145,324)	(4,889,778)	(1,254,788)	(3,974,236)	(1,011,431)	(1,888,517)
Excess of Revenues Over Expenditures	3,358,659	1,039,554	178,197	124,052	181,008	1,430,111
Fees Remitted to County General Fund	(3,397,838)	(600,000)	(166,000)	(100,000)	(179,850)	(1,825,962)
Excess (Deficiency) of Revenues Over (Under) Expenditures and Fees Remitted	\$ (39,179)	\$ 439,554	\$ 12,197	\$ 24,052	\$ 1,158	\$ (395,851)
Fees Remitted to County General Fund	\$ 3,397,838	\$ 600,000	\$ 166,000	\$ 100,000	\$ 179,850	\$ 1,825,962
Expenditures:						
Personal Services/ Employee Benefits	-	-	-	(113,998)	-	-
Contracted Services	(141,777)	(610,442)	(97,324)	(193,950)	(93,589)	(151,446)
Supplies and Materials	(165,222)	(151,487)	(14,091)	(94,997)	(22,728)	(42,370)
Capital Outlay	-	(3,030)	-	-	-	-
Other Charges	(94,865)	(181,922)	(83,236)	(214,319)	(161,252)	(111,438)
Total General Fund Expenditures	(401,864)	(946,881)	(194,651)	(617,264)	(277,569)	(305,254)
Excess (Deficiency) of Fees Remitted Over (Under) General Fund Expenditures	\$ 2,995,974	\$ (346,881)	\$ (28,651)	\$ (517,264)	\$ (97,719)	\$ 1,520,708

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE V: EMPLOYEE RETIREMENT PLANS**

County and Board employees are covered by a variety of retirement plans. These plans fall into two categories - defined contribution and defined benefit plans. The majority of County and Board employees participate in *defined contribution plans*. Those not included in the defined contribution plan are certificated teachers covered under the Board's Article IX Defined Benefit Plan for former Knoxville City School teachers, all certificated County school teachers, and certain non-certificated employees who elected not to transfer to the primary defined contribution plan. Required disclosures for the Defined Contribution Plans are presented in Note V-A. County certificated school teachers participate in the State Retirement Plan for Teachers as administered by the Tennessee Consolidated Retirement System (TCRS). Certain County Officials also participate in this plan.

The State of Tennessee provides benefits for participants in the TCRS, a cost-sharing multiple-employer Public Employee Retirement System (PERS). In a multiple-employer PERS, all risks and costs are shared proportionately among the participating employers. A single actuarial valuation is computed for the TCRS as a whole and all participating employer groups make payments to the TCRS based on a pre-determined contribution rate. However, as the TCRS prepares a separate financial report on its multiple-employer defined benefit plan, the operations and activities of this plan are not included in the County's reporting entity and are not included in the accompanying financial statements.

The two defined contribution plans and the two single employer defined benefit plans are part of the County's financial reporting entity and are included in the accompanying financial statements. The operations of the Knox County Employee Benefit System (County DB Plan), the County's Defined Contribution Plan (County DC Plan) and the County's Medical Retirement Defined Contribution Plan (Medical Retirement DC Plan) are recorded as County pension trust funds. The operations of the Board's Certificated Teacher's Defined Benefit Plan (Teacher's DB Plan) are recorded in the Board's pension trust fund. Separate financial reports for the two defined contribution plans and the two single employee defined benefit plans are not separately prepared.

Effective July 1, 2007, two changes will occur to the Knox County Retirement System. The Uniformed Officers Retirement Plan (UOPP) will be offered to all sworn officers in the Knox County Sheriff's Department. Officers employed as a sworn officer prior to June 1, 2007, will have a choice whether to remain in the current Retirement Plan or to transfer to the new UOPP. Officers employed on or after June 1, 2007, will automatically be enrolled in the UOPP. In addition, as an expansion to the current Defined Contribution Plan, the Asset Accumulation Program will incorporate both a 401(a) Plan and a 457 Plan. The 457 Plan incorporates voluntary pretax contributions by the participant with a County match based on length of service with the County. The County will match up to two percent for participants with five to ten years of service, up to four percent for participants with ten to fifteen years of service and up to six percent for participants with more than fifteen years of service.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**A. Defined Contribution Plans**

The *County DC Plan* is a defined contribution plan (an asset accumulation plan) established by Knox County under Section 401(a)(9) of the Internal Revenue Code. The plan covers substantially all full time employees of the County. Plan benefits depend solely on amounts contributed to the plan plus investment earnings. Participation begins on the first day of employment and all eligible employees not participating in another County, Board or state retirement plan are required to participate.

Prior to July 1, 1999, plan members were required to contribute a minimum of four percent and could contribute up to a maximum of fifteen percent of compensation. The County and the Board matched member contributions up to six percent of compensation.

Effective, July 1, 1999, the Knox County Retirement Board amended plan provisions to require all participants to contribute a minimum of six percent of compensation.

At June 30, 2007, there were 6,462 plan members. During the year, the employer and member contributions (prior to forfeitures) amounted to \$9,599,581 and \$8,883,313 respectively.

The *Medical Retirement Plan*, a voluntary defined contribution plan (an asset accumulation plan), was established by the County on July 1, 1998, under Section 401(a)(9) of the Internal Revenue Code. Plan benefits depend solely on amounts contributed to the plan plus investment earnings. Voluntary participation begins upon enrollment; eligible employees may begin participation on the first day of employment. The Plan was specifically created to assist employees in planning and investing for anticipated medical expenses upon retirement. Plan provisions and contribution requirements are established and may be amended by the Knox County Retirement Board.

Prior to July 1, 1999:

- (1) A participant reaching age 40 and completing at least five years of credited service received a one-time lump sum distribution of \$100 for each year of eligible service from the Knox County Retirement & Pension Board, and
- (2) A participant reaching age 40 and completing at least five years of credited service could make contributions to the plan in which the Pension Board would contribute a matching contribution of 50 percent up to a maximum of \$104 per year.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**A. Defined Contribution Plans (Continued)**

Effective July 1, 1999:

- (1) A participant reaching age 40 and completing at least five years of credited service received a one-time lump sum distribution of \$100 for each year of eligible service from the Knox County Retirement & Pension Board, and
- (2) A participant making contributions through payroll deductions to the Medical Retirement Plan would be eligible for a percent match contribution from the Knox County Retirement & Pension Board based on the percent approved by the Board for the year in question.
- (3) Retirees are eligible for an additional distribution of a specific amount approved by the Board annually to help defer the retiree's medical costs. The history of this distribution is as follows:

Calendar Year 1999	\$600
Calendar Year 2000	\$600
Calendar Year 2001	\$840
Calendar Year 2002	\$420
Calendar Year 2003	\$120
Calendar Year 2004	\$0
Calendar Year 2005	\$120
Calendar Year 2006	\$120
Calendar Year 2007	\$120

The contributions are funded using excess funds as actuarially determined from the *County DB Plan* and are recorded as a transfer from the *County DB Plan* to the *Medical Retirement DC Plan*.

Effective January 1, 2005, the Retirement & Pension Board approved the re-instatement of the retiree bonus in the amount of \$120 annually for each of the next five years. This could be subject to change if the value of the Defined Benefit Plan's assets drop below an acceptable funding level. This bonus will be paid to all retirees as of January 1 of each year and payment will occur during the first quarter of the same year. Active employees contributing to the Medical Expense Retirement Plan will receive a 25% match for the Retirement & Pension Board up to a maximum annual match of \$104. The Board also committed to this for five years unless assets fall below an acceptable funding level.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**A. Defined Contribution Plans (Continued)**

At June 30, 2007, the Medical Retirement Plan had 3,140 members. During the year employer and member contributions amounted to \$82,683 and \$357,555, respectively.

Plan provisions and contribution requirements for both defined contribution plans are established and may be amended by the Knox County Retirement Board. Both plans are administered by the Knox County Retirement Board. Administrative costs of the plans are financed through investment earnings.

**B. Defined Benefit Plans**

*Plan Descriptions*

*Primary Government.* The *County DB Plan* is a single-employer public employee retirement pension plan established by the County Commission pursuant to House Bill Number 886 of Chapter 246 of the 1967 Private Acts of the State of Tennessee as amended and continued by the County's charter.

On October 1, 1991 through January 31, 1992, approximately one-half of the participants in the *County DB Plan* transferred from the *County DB Plan* to the *County DC Plan*. The transferred participants plus "new" enrollees in the defined contribution plan are non-contributing participants and continue to be covered under the *County Plan* disability and death benefit provisions. Effective September 30, 1991, the *County DB Plan* was closed to new participants.

The *County DB Plan* covered virtually all full-time County employees prior to October 1, 1991. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**B. Defined Benefit Plans (Continued)**

*The Board.* The *Teachers' DB Plan*, established under Article IX of the Knox County Employee Benefit System, is a single-employer public employee retirement pension plan. Retirement benefits are provided to certain "covered certificated members" who are participants in Divisions A and B of the City of Knoxville Pension Plan. Pursuant to the abolition of the Knoxville City Schools on June 30, 1987, and the execution of the "Certificated Employees Participation Agreement" in November, 1994, both the City of Knoxville and the Board are each jointly and severally responsible for providing a portion of benefits. The County has established a trust for the purpose of funding its portion of total benefits attributable to the "covered certificated members." A "covered certificated member," is defined as that certificated teacher who (1) became an employee of the Knox County Board of Education as a result of the abolition of the Knoxville City Schools and (2) is entitled to maintain at his/her option a local pension plan membership as provided by decree of the Court of Appeals of Tennessee, Docket Number 736 dated December 30, 1987.

The *Teachers DB Plan* consists of Divisions A and B. There were no remaining Division B participants active as of June 30, 1995. Both Divisions A and B are closed to new Plan members. The Plan provides retirement, disability, and death benefits to Plan members and their beneficiaries.

In both the *County DB Plan* and the *Teachers' DB Plan*, provisions and contribution requirements are established and may be amended by the Knox County Retirement Board. The Knox County Retirement Board administers both Plans. Administrative costs of the plans are financed through assets of the *County DB Plan and the Teachers' DB Plan*. Financial reports for the *County DB Plan* and the *Teachers' DB Plan* are not separately prepared.

Participant data at January 1, 2007 was as follows:

Description	County DB Plan	Teachers' DB Plan
Actives Contributing	256	92
Actives Not Contributing, DC Plan	4,930	-
Retirees, Beneficiaries, and Disableds	1,568	386
Inactives with Contribution Accounts	305	21
Inactives, DC Plan	335	-
Total Participants	7,394	499



KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**B. Defined Benefit Plans (Continued)**

The Knox County Schools contribute to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34 - 37 of the Tennessee Code Annotated (TCA). The Tennessee General Assembly amends state statutes. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

Some employees of Knox County Mayor and Officials are members of the Political Subdivision Pension Plan (PSPP), and agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with ten years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after ten years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34 - 37 of the Tennessee Code Annotated (TCA). The Tennessee General Assembly amends state statutes. Political Subdivisions such as Knox County Mayor and Officials participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**B. Defined Benefit Plans (Continued)**

The TCRS issues publicly available financial reports that include financial statements and required supplementary information for the SETHEEPP and PSPP. These reports may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us).

**Funding Policy**

In the *County DB Plan*, plan members are required to make contributions at the rate of 5.0% of earnable compensation. The County, however, is required to make contributions only to the extent necessary to maintain the funded status of the plan as actuarially determined.

In the *Teachers' DB Plan*, most plan members are required to contribute 3.0% of the first \$4,000 then 5.0% thereafter of salary to the plan. The employer contribution rate for the Board is established at an actuarially determined rate and was 2.59% of annual covered payroll for the year ending June 30, 2007.

Under the TCRS plan, most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for Knox County Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2007 was 6.13% of annual covered payroll.

The employer contribution requirement for Knox County Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2007, 2006 and 2005 were, \$12,335,021, \$455,398, \$10,274,970, respectively, equal to the required contributions for each year.

The TCRS plan for Knox County Mayor and Officials requires employees to contribute 5.0% of earnable compensation.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**B. Defined Benefit Plans (Continued)**

Knox County Mayor and Officials are required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2007 was 0.0% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Knox County Mayor And Officials is established and may be amended by the TCRS Board of Trustees. The annual required contributions for the current year were determined as part of actuarial valuations using the following significant assumptions:

	<i>Primary Government</i>		<i>Component Unit - The Board</i>
	<i>County DB Plan</i>	<i>TCRS</i>	<i>Teachers' DB Plan</i>
Actuarial Valuation Date	January 1, 2007	July 1, 2005	January 1, 2007
Actuarial Cost Method	Collective Aggregate	Frozen Entry Age	Individual Entry Age Normal
Actuarial Valuation of Assets	Market Value	Smoothed Market Value Over 5 Years	Smoothed Market Value Over 5 Years
Inflation Rate	3.00%	3.50%	2.75%
Investment Return	7.50%	7.50%	7.50%
Projected Salary Increases	3.50%	4.75%	4.00%
Post Retirement Increases (Cost of Living Adjustments)	3.00%	3.00%	2.75%

Under the collective aggregate actuarial cost method, the annual cost is the aggregate normal cost. This actuarial cost method does not identify or separately amortize unfounded actuarial accrued liabilities.

Under the Entry Age Normal cost method, the annual cost is equal to the normal cost, plus amortization of unfunded accrued liabilities over a fixed period of years selected within the minimum (10 years) and the Maximum (5 to 30 years) periods permitted by law.

In the TCRS, the unfunded actuarial liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005 was 16 years.

KNOX COUNTY, TENNESSEE  
**Notes to Financial Statements**  
*June 30, 2007*

**NOTE V: EMPLOYEE RETIREMENT PLANS (Continued)**

**B. Defined Benefit Plans (Continued)**

The changes in the Net Pension Obligation (Asset), components of the Annual Required Contribution, and adjustments to the Annual Required Contribution are as follows:

Description	Primary Government County DB Plan			Component Unit - The Board Teachers' DB Plan		
	2006	2005	2004	2007	2006	2005
Net Pension Obligation (Asset), Beginning of Year*	\$ (3,844,188)	\$ (3,876,954)	\$ (3,910,001)	\$ 3,356,406	\$ 3,385,016	\$ 3,413,870
Annual Pension Cost:						
Annual Required Contribution	-	-	-	771,772	739,370	881,447
Interest on Net Pension Obligation (Asset)	(288,314)	(290,772)	(293,250)	251,731	253,876	256,040
Adjustments to Annual Required Contribution**	320,804	323,538	326,297	(280,099)	(282,486)	(284,894)
Total Annual Pension Cost	32,490	32,766	33,047	743,404	710,760	852,593
Contributions Made	-	-	-	771,772	739,370	881,447
Increase (Decrease) in Net Pension Obligation (Asset)	32,490	32,766	33,047	(28,368)	(28,610)	(28,854)
Net Pension Obligation (Asset), End of Year	\$ (3,811,698)	\$ (3,844,188)	\$ (3,876,954)	\$ 3,328,038	\$ 3,356,406	\$ 3,385,016
Amortization Period (in years)	25	25	25	25	25	25
Interest Rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

\* A positive balance reflects a liability while a negative amount is an asset.

\*\*The adjustment to the Annual Required Contribution is a level dollar amortization of the Net Pension Obligation (Asset) at the beginning of the period

**Trend Information (TCRS)**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2007	\$ -	100.00%	\$ -
June 30, 2006	\$ -	100.00%	\$ -
June 30, 2005	\$ -	100.00%	\$ -

KNOX COUNTY, TENNESSEE  
**Required Supplementary Information**  
*June 30, 2007*

**Schedules of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Collective Aggregate (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
County DB Plan:						
1/1/1997	\$ 80,067,931	\$ 80,067,931	\$ -	100.00%	\$ 18,757,024	0.00%
1/1/1998	89,622,330	89,622,330	-	100.00%	16,839,606	0.00%
1/1/1999	89,289,817	89,289,817	-	100.00%	11,894,535	0.00%
1/1/2000	90,400,104	90,400,104	-	100.00%	10,582,373	0.00%
1/1/2001	90,876,819	90,876,819	-	100.00%	10,292,951	0.00%
1/1/2002	90,458,876	90,458,876	-	100.00%	9,245,646	0.00%
1/1/2003	84,553,434	84,553,434	-	100.00%	8,081,941	0.00%
1/1/2004	81,996,895	81,996,895	-	100.00%	7,552,549	0.00%
1/1/2005	79,398,895	79,398,895	-	100.00%	6,799,378	0.00%
1/1/2006	78,756,498	78,756,498	-	100.00%	6,141,456	0.00%
1/1/2007	82,094,299	82,094,299	-	100.00%	5,510,340	0.00%

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Individual Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
Teachers' DB Plan						
1/1/1997	\$ 31,532,498	\$ 31,532,498	\$ -	100.00%	\$ 16,518,534	0.00%
1/1/1998	55,425,760	55,425,760	-	100.00%	16,280,062	0.00%
1/1/1999	62,622,721	62,622,721	-	100.00%	15,714,131	0.00%
1/1/2000	70,243,735	70,243,735	-	100.00%	14,392,249	0.00%
1/1/2001	69,634,862	69,634,862	-	100.00%	14,009,264	0.00%
1/1/2002	72,917,044	72,917,044	-	100.00%	13,254,219	0.00%
1/1/2003	71,458,839	71,458,839	-	100.00%	12,286,006	0.00%
1/1/2004	73,472,465	73,472,465	-	100.00%	11,014,729	0.00%
1/1/2005	74,889,828	82,120,286	7,230,458	91.20%	7,595,733	95.19%
1/1/2006	75,174,360	83,066,476	7,892,116	90.50%	6,278,718	125.78%
1/1/2007	84,154,462	84,362,290	207,828	99.75%	5,236,764	3.97%

KNOX COUNTY, TENNESSEE  
**Required Supplementary Information**  
*June 30, 2007*

**Schedules of Funding Progress (Continued)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Frozen Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
Knox Co Executive and Officials						
TCRS (Amounts Expressed in Thousands):						
6/30/1991	\$ 296	\$ 296	\$ -	100.00%	\$ 141	0.00%
6/30/1993	371	371	-	100.00%	157	0.00%
6/30/1995	441	441	-	100.00%	74	0.00%
6/30/1997	600	600	-	100.00%	77	0.00%
6/30/1999	704	704	-	100.00%	81	0.00%
6/30/2001	792	792	-	100.00%	81	0.00%
7/1/2003	842	842	-	100.00%	83	0.00%
7/1/2005	901	901	-	100.00%	86	0.00%

**Schedules of Employer Contributions  
(Last Ten Fiscal Years)**

Year Ended June 30	<i>County DB Plan</i>		<i>Teachers' DB Plan</i>	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
1998	-	N/A	2,522,434	688.50%
1999	-	N/A	773,683	100.64%
2000	-	N/A	357,275	96.15%
2001	-	N/A	-	N/A
2002	-	N/A	344,411	174.21%
2003	-	N/A	412,445	145.47%
2004	-	N/A	784,838	100.00%
2005	-	N/A	881,447	100.00%
2006	-	N/A	739,370	100.00%
2007	-	N/A	771,772	100.00%

KNOX COUNTY, TENNESSEE

Required Supplementary Information  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual (GAAP Basis) - General Fund  
 For the year ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Local Taxes	\$ 125,308,001	\$ 125,549,973	\$ 128,968,601	\$ 3,418,628
Licenses and Permits	3,560,660	3,560,660	3,623,663	63,003
Fines, Forfeitures and Penalties	3,061,810	3,139,868	3,843,930	704,062
Charges for Current Services	5,778,166	5,715,549	4,993,086	(722,463)
Other Local Revenues	1,695,479	1,755,233	1,477,736	(277,497)
State of Tennessee	6,533,132	6,780,916	9,310,646	2,529,730
Federal Government	450,000	450,000	902,756	452,756
Other Governments and Citizen Groups	158,000	248,876	484,431	235,555
Increase in Equity Interest in Joint Venture	-	-	713,764	713,764
<b>Total Revenues</b>	<u>146,545,248</u>	<u>147,201,075</u>	<u>154,318,613</u>	<u>7,117,538</u>
<b>Expenditures</b>				
Current:				
Finance and Administration	23,534,485	25,526,478	24,493,987	1,032,491
Finance and Administration - Payments to Component Unit	4,000,000	4,148,000	4,148,000	-
Administration of Justice	14,429,346	12,380,117	11,876,126	503,991
Public Safety	58,183,864	61,081,714	60,307,156	774,558
Public Safety - Payments to Component Unit	326,200	326,200	326,200	-
Public Health and Welfare	30,169,735	29,601,821	27,739,913	1,861,908
Public Health and Welfare - Payments to Component Unit	200,000	256,628	256,628	-
Social and Cultural Services	4,428,434	4,571,104	4,446,045	125,059
Agricultural and Natural Resources	456,370	439,500	425,395	14,105
Other General Government	7,806,426	8,509,767	7,525,484	984,283
<b>Total Expenditures</b>	<u>143,534,860</u>	<u>146,841,329</u>	<u>141,544,934</u>	<u>5,296,395</u>
<b>Excess of Revenues Over Expenditures</b>	<u>3,010,388</u>	<u>359,746</u>	<u>12,773,679</u>	<u>12,413,933</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	10,361,832	10,723,832	6,369,650	(4,354,182)
Transfers to Other Funds	(14,570,720)	(21,237,400)	(20,939,896)	297,504
<b>Total Other Financing Uses</b>	<u>(4,208,888)</u>	<u>(10,513,568)</u>	<u>(14,570,246)</u>	<u>(4,056,678)</u>
<b>Net Change in Fund Balances</b>	<u>\$ (1,198,500)</u>	<u>\$ (10,153,822)</u>	<u>(1,796,567)</u>	<u>\$ 8,357,255</u>
Fund Balances, July 1			<u>57,598,542</u>	
Fund Balances, June 30			<u>\$ 55,801,975</u>	

**Note to Required Supplementary Information**

***June 30, 2007***

**Budgetary Reporting**

The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP Basis) – General Fund presents comparisons of the original and final legally adopted budget with actual data.

The General Fund budget is prepared at the department and major category level. The legal level of budgetary control, that is, the level at which management cannot overspend funds without a budget amendment approved by the Finance Committee of the County Commission, is the major category level within departments. The major categories are Personal Services, Employee Benefits, Contracted Services, Supplies and Materials, Other Charges, Debt Service and Capital Outlay. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP Basis) – General Fund does not present the detail necessary to demonstrate compliance at the legal level of budgetary control. Such detailed schedules are included in the County's separately issued *Budget Report to Citizenry*. Copies of the report may be obtained from the Knox County Department of Finance:

Knox County Department of Finance  
Room 630  
City County Building  
400 Main Avenue  
Knoxville, Tennessee 37902

The County's Constitutional Officers Special Revenue Fund is the County's only major special revenue fund. The fund is used to account for the activities of the fee and commission accounts of the County Trustee, Register of Deeds, County Clerk, Criminal and Fourth Circuit Court Clerk, Circuit and General Sessions Court Clerk, and Clerk and Master. These officers earn various fees and commissions, pay certain expenses of their office operations, and transfer all or portions of the fees and commissions generated to other funds. The transactions related to the activities of these offices are not subject to the budgetary control of the County Commission. As there is no legally adopted budget for this fund, there is no budgetary comparison schedule presented in this report.



## **GENERAL FUND**

The General Fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in another fund. The General Fund accounts for the normal recurring activities of the County (i.e. public safety, recreation, health and welfare, general government, etc.). These activities are funded principally by property taxes on individuals and businesses.

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**KNOX COUNTY, TENNESSEE**

**General Fund  
Comparative Balance Sheets  
June 30, 2007 and June 30, 2006**

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 31,100,838	\$ 31,800,753
Receivables (Net of Allowances for Uncollectibles):		
Accounts	10,666,483	6,884,766
Property Taxes	99,789,355	105,453,000
Investments	12,713,797	12,132,359
Due from Other Funds	4,019,202	6,846,889
Due from Component Units	108,860	55,503
Due from Other Governments	22,010	-
Inventories	133,868	152,219
Prepaid Items	607,969	282,756
Investment in Joint Venture	5,820,125	5,106,361
Advances to Other Funds	175,000	162,248
<b>TOTAL ASSETS</b>	<u><u>\$ 165,157,507</u></u>	<u><u>\$ 168,876,854</u></u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 5,778,948	\$ 5,910,505
Due to Other Funds	3,847,172	-
Deferred Revenue	99,729,412	105,367,807
<b>TOTAL LIABILITIES</b>	<u>109,355,532</u>	<u>111,278,312</u>
<b>Fund Balances:</b>		
Reserved	9,306,651	7,823,979
Unreserved:		
Designated	3,027,842	10,366,047
Undesignated	43,467,482	39,408,516
<b>TOTAL FUND BALANCES</b>	<u>55,801,975</u>	<u>57,598,542</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 165,157,507</u></u>	<u><u>\$ 168,876,854</u></u>

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**KNOX COUNTY, TENNESSEE**

**General Fund  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Balances**

For the years ended June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Local Taxes	\$ 128,968,601	\$ 124,821,664
Licenses and Permits	3,623,663	3,741,911
Fines, Forfeitures and Penalties	3,843,930	3,564,743
Charges for Current Services	4,993,086	5,543,369
Other Local Revenues	1,477,736	1,441,491
State of Tennessee	9,310,646	7,736,719
Federal Government	902,756	685,539
Other Governments and Citizen Groups	484,431	242,040
Increase in Equity Interest in Joint Venture	713,764	10,385
	<u>154,318,613</u>	<u>147,787,861</u>
Total Revenues		
<b>Expenditures</b>		
Current:		
General Government:		
Finance and Administration	24,493,987	21,773,462
Finance and Administration - Payments to Component Unit	4,148,000	2,570,000
Administration of Justice	11,876,126	13,189,864
Public Safety	60,307,156	54,487,038
Public Safety - Payments to Component Unit	326,200	326,200
Public Health and Welfare	27,739,913	28,802,160
Public Health and Welfare - Payments to Component Unit	256,628	646,990
Social and Cultural Services	4,446,045	3,888,972
Agricultural and Natural Resources	425,395	402,907
Other General Government	7,525,484	5,375,687
	<u>141,544,934</u>	<u>131,463,280</u>
Total Expenditures		
Excess of Revenues Over Expenditures	<u>12,773,679</u>	<u>16,324,581</u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	6,369,650	9,718,599
Transfers to Other Funds	<u>(20,939,896)</u>	<u>(17,178,714)</u>
Total Other Financing Uses	<u>(14,570,246)</u>	<u>(7,460,115)</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(1,796,567)	8,864,466
Fund Balances, July 1	<u>57,598,542</u>	<u>48,734,076</u>
Fund Balances, June 30	<u>\$ 55,801,975</u>	<u>\$ 57,598,542</u>

## **SPECIAL REVENUE FUNDS - MAJOR**

**Constitutional Officers Fund:** This fund is used to account for revenues and expenditures associated with the administrative functions of the Constitutional Officers.

**KNOX COUNTY, TENNESSEE**

**Constitutional Officers' Special Revenue Fund**

**Combining Balance Sheets**

June 30, 2007

(With Comparative Totals for June 30, 2006)

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2007	2006
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 570,283	\$ 1,216,417	\$ 458,788	\$ 1,000,687	\$ 522,900	\$ 770,007	\$ 4,539,082	\$ 3,818,871
<b>TOTAL ASSETS</b>	<b>\$ 570,283</b>	<b>\$ 1,216,417</b>	<b>\$ 458,788</b>	<b>\$ 1,000,687</b>	<b>\$ 522,900</b>	<b>\$ 770,007</b>	<b>\$ 4,539,082</b>	<b>\$ 3,818,871</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Due to Other Funds	\$ 97,170	\$ -	\$ 50,000	\$ -	\$ 102,000	\$ 463,864	\$ 713,034	\$ 34,754
<b>TOTAL LIABILITIES</b>	<b>97,170</b>	<b>-</b>	<b>50,000</b>	<b>-</b>	<b>102,000</b>	<b>463,864</b>	<b>713,034</b>	<b>34,754</b>
<b>Fund Balances:</b>								
Unreserved, Undesignated	473,113	1,216,417	408,788	1,000,687	420,900	306,143	3,826,048	3,784,117
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 570,283</b>	<b>\$ 1,216,417</b>	<b>\$ 458,788</b>	<b>\$ 1,000,687</b>	<b>\$ 522,900</b>	<b>\$ 770,007</b>	<b>\$ 4,539,082</b>	<b>\$ 3,818,871</b>

**KNOX COUNTY, TENNESSEE**

**Constitutional Officers' Special Revenue Fund  
Combining Schedule of Revenues, Expenditures  
And Changes in Fund Balances**

For the year ended June 30, 2007

(With comparative totals for the year ended June 30, 2006)

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Totals	
							2007	2006
<b>Revenues</b>								
Charges for Services	\$ 6,503,139	\$ 5,892,267	\$ 1,287,709	\$ 4,098,288	\$ 1,192,439	\$ 3,316,198	\$ 22,290,040	\$ 22,191,925
Interest Income	844	37,065	145,276	-	-	2,430	185,615	166,893
<b>Total Revenues</b>	<b>6,503,983</b>	<b>5,929,332</b>	<b>1,432,985</b>	<b>4,098,288</b>	<b>1,192,439</b>	<b>3,318,628</b>	<b>22,475,655</b>	<b>22,358,818</b>
<b>Expenditures</b>								
Current:								
General Government:								
Finance and Administration:								
Salaries - County Officials	97,069	93,761	66,712	99,626	91,962	97,582	546,712	499,565
Salaries - Staff	2,040,115	3,599,382	883,558	2,818,799	689,641	1,432,407	11,463,902	10,659,766
Travel	81,800	113,025	6,833	-	-	9,100	210,758	146,544
Employee Benefits and Payroll Taxes	481,531	1,082,690	292,685	1,055,811	210,291	347,093	3,470,101	3,197,112
Consulting Fees	-	920	5,000	-	-	-	5,920	7,900
Office Supplies	444,809	-	-	-	19,537	2,335	466,681	238,998
<b>Total Expenditures</b>	<b>3,145,324</b>	<b>4,889,778</b>	<b>1,254,788</b>	<b>3,974,236</b>	<b>1,011,431</b>	<b>1,888,517</b>	<b>16,164,074</b>	<b>14,749,885</b>
Excess of Revenues Over Expenditures	3,358,659	1,039,554	178,197	124,052	181,008	1,430,111	6,311,581	7,608,933
<b>Other Financing Uses</b>								
Transfers to Other Funds	(3,397,838)	(600,000)	(166,000)	(100,000)	(179,850)	(1,825,962)	(6,269,650)	(8,618,599)
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(39,179)	439,554	12,197	24,052	1,158	(395,851)	41,931	(1,009,666)
Fund Balances, July 1	512,292	776,863	396,591	976,635	419,742	701,994	3,784,117	4,793,783
Fund Balances, June 30	\$ 473,113	\$ 1,216,417	\$ 408,788	\$ 1,000,687	\$ 420,900	\$ 306,143	\$ 3,826,048	\$ 3,784,117

## **CAPITAL PROJECTS FUNDS - MAJOR**

Capital Projects Funds are used to account for the acquisition and construction of major facilities other than those financed by proprietary or trust funds.

**Public Improvement Fund:** This fund is used to account for the County construction projects in process. These public improvement construction projects include, but are not limited to, the Penal Farm, roads, the Farmers' Market, sewer lines, Hillcrest Nursing Home, recreation facilities, public library facilities, Juvenile Court renovations, City-County Building renovations, John Tarleton Home renovations, Knox Central facilities, and golf course improvements.

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**KNOX COUNTY, TENNESSEE**

**Public Improvement Capital Projects Fund (Major)**

**Comparative Balance Sheets**

June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 40,466,772	\$ 36,393,533
Receivables (Net of Allowances for Uncollectibles):		
Accounts	2,158,117	118,934
Due From Other Funds	<u>2,500,263</u>	<u>5,000,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 45,125,152</u></u>	<u><u>\$ 41,512,467</u></u>
 <b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 5,799,390	\$ 2,608,957
Due to Other Funds	213,821	2,103,842
Due to Component Units	35,763,902	35,763,902
Deferred Revenue	<u>328</u>	<u>328</u>
<b>TOTAL LIABILITIES</b>	<u>41,777,441</u>	<u>40,477,029</u>
 <b>Fund Balances (Deficits):</b>		
Reserved	12,605,044	4,250,130
Unreserved:		
Designated	-	3,000,000
Undesignated	<u>(9,257,333)</u>	<u>(6,214,692)</u>
<b>TOTAL FUND BALANCE</b>	<u>3,347,711</u>	<u>1,035,438</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 45,125,152</u></u>	<u><u>\$ 41,512,467</u></u>



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**KNOX COUNTY, TENNESSEE**

**Public Improvement Capital Projects Fund (Major)  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Balances**

For the years ended June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Interest Earned	\$ 132,932	\$ 112,335
Local Taxes	209,705	186,615
Other Local Revenues	176,312	2,245,373
State of Tennessee	1,003,750	-
Federal Government	392,410	421,571
Other Governments and Citizen Groups	<u>2,072,000</u>	<u>128,416</u>
Total Revenues	<u>3,987,109</u>	<u>3,094,310</u>
<b>Expenditures</b>		
Capital Projects	46,534,299	37,366,642
Debt Proceeds Paid to Component Unit	18,550,000	27,000,000
Debt Issuance Costs	340,537	337,500
Payments to Component Unit	<u>10,750,000</u>	<u>44,994,500</u>
Total Expenditures	<u>76,174,836</u>	<u>109,698,642</u>
Deficiency of Revenues Under Expenditures	<u>(72,187,727)</u>	<u>(106,604,332)</u>
<b>Other Financing Sources (Uses)</b>		
Long-term Debt Issued	69,000,000	77,000,000
Transfers from Other Funds	5,500,000	9,237,801
Transfers to Other Funds	<u>-</u>	<u>(1,000,000)</u>
Total Other Financing Sources	<u>74,500,000</u>	<u>85,237,801</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,312,273	(21,366,531)
Fund Balance (Deficit), July 1	<u>1,035,438</u>	<u>22,401,969</u>
Fund Balance, June 30	<u>\$ 3,347,711</u>	<u>\$ 1,035,438</u>

**KNOX COUNTY, TENNESSEE**

**Public Improvement Capital Projects Fund (Major)  
Comparative Schedules of Revenues, Expenditures And  
Changes in Fund Balances - Budget And Actual (Budget Basis)  
For the years ended June 30, 2007 and June 30, 2006**

	2007				2006		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>	\$ 250,500	\$ 727,803	\$ 335,060	\$ (392,743)	\$ 626,842	\$ 236,189	\$ (390,653)
<b>Expenditures</b>							
Capital Projects:							
Contracted Services	-	35,502	21,257	14,245	80,667	54,818	25,849
Supplies & Materials	-	77,756	44,237	33,519	137,291	78,719	58,572
Other Charges	375,300	274,938	49,036	225,902	74,762	49,413	25,349
Capital Outlay	-	424,139	168,790	255,349	619,093	166,116	452,977
Total Expenditures	375,300	812,335	283,320	529,015	911,813	349,066	562,747
Excess (Deficiency) of Revenues Over (Under) Expenditures	(124,800)	(84,532)	51,740	136,272	(284,971)	(112,877)	172,094
<b>Other Financing Uses</b>							
Transfers to Other Funds	-	(249,600)	-	249,600	(124,800)	-	124,800
Total Other Financing Uses	-	(249,600)	-	249,600	(124,800)	-	124,800
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(124,800)	(334,132)	51,740	385,872	(409,771)	(112,877)	296,894
Fund Balances, July 1 (Budget Basis)	334,132	334,132	334,132	-	447,009	447,009	-
Fund Balances, June 30 (Budget Basis)	\$ 209,332	\$ -	\$ 385,872	\$ 385,872	\$ 37,238	\$ 334,132	\$ 296,894
<b>Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):</b>							
Fund Balance (Budget Basis)			\$ 385,872		\$ 334,132		
Timing Difference:							
Project Length Budgets			2,961,839		701,306		
Fund Balance (Deficit) (GAAP Basis)			\$ 3,347,711		\$ 1,035,438		

**KNOX COUNTY, TENNESSEE**

**Public Improvement Capital Projects Fund (Major)**

**Schedule of Construction Project Expenditures-**

**Budget And Actual**

For the year ended June 30, 2007

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
<b>Expenditures</b>					
<i>Capital Projects:</i>					
<i>Road Construction:</i>					
Clinton Highway and Beaver Creek	\$ 65,206	\$ 65,204	\$ 8,171	\$ 73,375	\$ (8,169)
Knob Creek Bridge	1,807,726	100,395	114,218	214,613	1,593,113
Bridge Replacement	3,290,986	-	2,928,059	2,928,059	362,927
Middlebrook Pike	7,341,207	6,988,302	-	6,988,302	352,905
Hardin Valley Road	11,653,542	11,148,375	17,907	11,166,282	487,260
Ballcamp Improvements	16,310,891	8,576,177	2,985,613	11,561,790	4,749,101
Lovell Road	2,787,276	1,942,295	-	1,942,295	844,981
Central/Callahan/Dante Road	8,250	6,137	1,052	7,189	1,061
Dry Gap Pike	5,175,160	5,075,794	-	5,075,794	99,366
Parkside Drive Extension	16,171,196	9,125,108	184,926	9,310,034	6,861,162
Walker Springs Connector	2,652,953	1,742,568	-	1,742,568	910,385
Dutchtown Road Functional Plan	9,125,755	4,168,363	1,289,886	5,458,249	3,667,506
Karns Connector	3,641,165	2,963,137	107,493	3,070,630	570,535
Gallaher View Road	2,211,861	35,500	228,361	263,861	1,948,000
Dyestone Gap Road	1,785,400	3,794	581,985	585,779	1,199,621
Campbell Station Extension	1,000,000	-	-	-	1,000,000
	<b>85,028,574</b>	<b>51,941,149</b>	<b>8,447,671</b>	<b>60,388,820</b>	<b>24,639,754</b>
<i>Total Road Construction</i>					
<i>Building Renovations:</i>					
Juvenile Court/ Detention	13,801,528	13,759,263	-	13,759,263	42,265
Courtroom Improvement	377,024	328,711	20,962	349,673	27,351
Sports Complex	4,236,500	4,159,752	23,362	4,183,114	53,386
South Knoxville Branch Library	24,882	21,882	-	21,882	3,000
Cedar Bluff Branch Library	34,000	20,490	-	20,490	13,510
Carter Branch Library	23,000	22,841	-	22,841	159
Norwood Branch Library	73,204	68,367	-	68,367	4,837
Corryton Branch Library	67,847	51,655	-	51,655	16,192
County Wide Renovations	3,196,980	2,142,651	627,125	2,769,776	427,204
Knox Central	957,360	372,517	505,885	878,402	78,958
Fairview Technical Center	395,000	373,452	462	373,914	21,086
Hardy Building	110,000	-	108,273	108,273	1,727
John Tarleton	111,000	109,588	-	109,588	1,412
AJ/ Dwight Kessel Garage	679,500	218,813	391,823	610,636	68,864
City/County Improvement	8,902,479	6,598,574	911,758	7,510,332	1,392,147
Knox County Health Renovations	10,435,710	10,160,665	207,709	10,368,374	67,336
Old Courthouse Renovation	1,006,800	230,291	748,343	978,634	28,166
Detention Facility	1,475,345	927,488	57,920	985,408	489,937
DUI Building	357,258	357,150	-	357,150	108
Sheriff Training Facility	93,000	39,533	-	39,533	53,467
Detention Facility Expansion 2006	14,400,000	4,253,945	9,209,777	13,463,722	936,278
Booth Street, Maintenance Building	101,123	83,019	18,104	101,123	-
	<b>60,859,540</b>	<b>44,300,647</b>	<b>12,831,503</b>	<b>57,132,150</b>	<b>3,727,390</b>
<i>Total Building Renovations</i>					

**KNOX COUNTY, TENNESSEE**

**Public Improvement Capital Projects Fund (Major)  
Schedule of Construction Project Expenditures-  
Budget And Actual (Continued)  
For the year ended June 30, 2007**

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
<b>Expenditures (continued)</b>					
<i>Capital Projects (continued):</i>					
<i>Building Construction:</i>					
North Knox Soccer Complex	\$ 618,000	\$ 615,889	\$ -	\$ 615,889	\$ 2,111
West Knox Branch Library	2,236,056	2,234,319	-	2,234,319	1,737
Halls Branch Library	2,419,530	2,419,525	-	2,419,525	5
Karns Branch Library	1,598,970	1,593,468	-	1,593,468	5,502
Powell Branch Library	2,442,494	2,361,289	51,373	2,412,662	29,832
Fountain City Branch Library	2,369,297	2,364,859	-	2,364,859	4,438
Burlington Branch Library	2,950,000	1,886,996	1,002,285	2,889,281	60,719
Lawson McGhee Library	953,000	336,931	21,044	357,975	595,025
Various Library Branches	172,851	76,828	14,263	91,091	81,760
Public Defender	3,221,328	3,215,220	-	3,215,220	6,108
Corryton Senior Center	610,000	572,274	2,736	575,010	34,990
South Knox Senior Center	1,472,500	240,437	1,187,970	1,428,407	44,093
Veteran's Nursing Home	6,000,000	2,844,977	1,972,426	4,817,403	1,182,597
Beck Cultural Center	1,755,000	826,948	67,629	894,577	860,423
Halls Senior Center	1,342,643	1,297,309	27,501	1,324,810	17,833
Community Kitchen - CAC	2,300,000	2,298,289	-	2,298,289	1,711
Penal Farm	36,589,360	36,299,764	147,512	36,447,276	142,084
Senior Citizen Home Assistance	750,000	-	750,000	750,000	-
<b>Total Building Construction:</b>	<b>69,801,029</b>	<b>61,485,322</b>	<b>5,244,739</b>	<b>66,730,061</b>	<b>3,070,968</b>
<i>Other:</i>					
Justice System Software	1,850,000	1,773,816	-	1,773,816	76,184
Recreation Dept. Purchase-Hickey Road	600,000	-	-	-	600,000
Maloney Road Park	78,000	41,402	23,385	64,787	13,213
Seven Island Foot Bridge	1,645,448	143,897	40,226	184,123	1,461,325
Seven Islands	100,000	-	42,979	42,979	57,021
Carl Cowan Park	40,000	-	39,188	39,188	812
Concord Park	684,778	483,559	186,736	670,295	14,483
Halls Greenway	210,220	118,418	1,232	119,650	90,570
Knox-Blount Greenway-Phase I	145,198	-	-	-	145,198
Halls Community Park	1,050,000	975,532	55,254	1,030,786	19,214
Hillcrest Park	363,326	360,160	627	360,787	2,539
John Tarleton Building & Parking Lot	515,000	513,927	-	513,927	1,073
Gibbs Ruritan Park	611,994	567,730	39,415	607,145	4,849
Powell Community Park	350,000	345,457	3,918	349,375	625
I C King Park	22,000	21,862	138	22,000	-
Park Facility Improvement	160,000	-	73,082	73,082	86,918
Farmers Market	2,000,000	4,634	1,431,957	1,436,591	563,409
Skate Park	250,000	52	59,648	59,700	190,300
Rifle Range Road Park	2,450,000	70	129,605	129,675	2,320,325
Carter Park	100,000	-	98,876	98,876	1,124
East TN Historical Center	15,675,403	15,613,432	61,971	15,675,403	-
East TN Historical Renovations	3,634,121	3,192,882	348,248	3,541,130	92,991
Lighting Upgrade	202,500	148,834	44,519	193,353	9,147
Technology Upgrade	400,000	48,160	51,840	100,000	300,000
Long Term Economic Development	22,140,000	8,142,365	9,250,000	17,392,365	4,747,635
Frank Strang Center	706,643	701,642	3,000	704,642	2,001
Downtown Development	838,370	286,579	-	286,579	551,791
Financial Software Upgrade	5,568,646	4,630,605	938,041	5,568,646	-
Westbridge	23,925	6,745	-	6,745	17,180
KC Landmarks	447,345	394,595	19,555	414,150	33,195
Telecom Knox Co. Schools	586,135	182,453	232,637	415,090	171,045
East Knox Clinic	380,000	-	-	-	380,000
Farragut High School Science Lab	250,000	-	-	-	250,000
Powell Middle School	1,000,000	-	594,360	594,360	405,640

KNOX COUNTY, TENNESSEE

Public Improvement Capital Projects Fund (Major)  
 Schedule of Construction Project Expenditures-  
 Budget And Actual (Continued)  
 For the year ended June 30, 2007

Project	Expenditures				Available
	Budget	Prior Years	Current	Total	
<b>Expenditures (continued)</b>					
<i>Capital Projects (continued):</i>					
<i>Other (continued):</i>					
PBA Project Management	\$ 1,153,898	\$ 435,600	\$ 435,600	\$ 871,200	\$ 282,698
E-911 Improvements	150,000	131,471	13,605	145,076	4,924
Powell Convenience Center	1,435,000	322,204	223,994	546,198	888,802
Gibbs Convenience Center	1,350,958	689,509	577,713	1,267,222	83,736
Solway Yard Waste Facility	1,110,000	990,836	93,776	1,084,612	25,388
Stormwater Management	9,655,670	4,359,111	413,430	4,772,541	4,883,129
Beavercreek Watershed	30,000	22,936	-	22,936	7,064
East Beaver Acquisition	1,645,000	716,732	704,706	1,421,438	223,562
Functional Planning	237,200	234,460	-	234,460	2,740
Geometric Improvements	1,433,433	659,552	86,461	746,013	687,420
Gulf Park Drive Sidewalk	220,830	203,468	-	203,468	17,362
Veteran's Memorial	1,000,000	500,000	500,000	1,000,000	-
Knoxville Zoo Capital	550,000	-	550,000	550,000	-
Election Commission Voting Machine	1,558,816	-	1,558,816	1,558,816	-
School Facilities Assessment Planning	600,000	-	152,221	152,221	447,779
Miscellaneous Capital Improvements	500,000	-	500,000	500,000	-
Trustee's Tax Payment Processor	125,000	-	120,205	120,205	4,795
County Wide Rehab	516,635	400,035	104,575	504,610	12,025
Concord Park Maintenance	182,875	160,845	22,030	182,875	-
French Park Greenway Trail	191,350	130,362	13,171	143,533	47,817
Ten Mile Creek Greenway	298,618	193,289	60,539	253,828	44,790
Ten Mile Creek Greenway-Extension	246,700	88	42,386	42,474	204,226
Three Ridges Golf Course	1,258,874	1,084,198	44,205	1,128,403	130,471
<i>Total Other</i>	<i>90,529,909</i>	<i>49,933,504</i>	<i>19,987,870</i>	<i>69,921,374</i>	<i>20,608,535</i>
<i>Total Capital Projects</i>	<i>\$ 306,219,052</i>	<i>\$ 207,660,622</i>	<i>\$ 46,511,783</i>	<i>\$ 254,172,405</i>	<i>\$ 52,046,647</i>
Project Expenditures			\$ 46,511,783		
Expenditures - Activities Budgeted on Annual Basis			<u>22,516</u>		
Total Public Improvement Fund Expenditures			<u>\$ 46,534,299</u>		

## **DEBT SERVICE FUND - MAJOR**

The Debt Service Fund is used to account for the accumulation of resources for, and related payments of, principal and interest on general long-term debt for the County and for the Knox County Board of Education, a discretely presented component unit.

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**KNOX COUNTY, TENNESSEE**

**Debt Service Fund (Major)**  
**Comparative Balance Sheets**  
June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 28,828,883	\$ 28,937,525
Receivables (Net of Allowance for Uncollectibles):		
Accounts	429,652	-
Property Taxes	28,474,950	18,746,957
Accrued Interest	7,786	-
Notes	10,740,000	11,052,000
Due from Other Funds	200,000	-
Advance to Component Units	4,031,250	4,172,250
Due from Other Governments	-	165,266
Advance to Other Governments	2,500,000	2,500,000
	<u>2,500,000</u>	<u>2,500,000</u>
<b>TOTAL ASSETS</b>	<u>\$ 75,212,521</u>	<u>\$ 65,573,998</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 568,434	\$ 13,939
Due to Other Funds	-	5,000,000
Due to Component Units	2,466,088	172,348
Deferred Revenue	39,520,897	29,762,597
	<u>39,520,897</u>	<u>29,762,597</u>
<b>TOTAL LIABILITIES</b>	<u>42,555,419</u>	<u>34,948,884</u>
 <b>Fund Balances:</b>		
Reserved	6,040,000	6,505,000
Unreserved:		
Designated	3,645	3,645
Undesignated	26,613,457	24,116,469
	<u>26,613,457</u>	<u>24,116,469</u>
<b>TOTAL FUND BALANCES</b>	<u>32,657,102</u>	<u>30,625,114</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 75,212,521</u>	<u>\$ 65,573,998</u>

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**KNOX COUNTY, TENNESSEE**

**Debt Service Fund (Major)**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**  
For the years ended June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Local Taxes	\$ 19,462,532	\$ 19,013,756
Other Governments/Citizen Groups	329,800	297,878
Interest Earned	7,861,842	6,866,131
Payments from Component Units	<u>23,229,518</u>	<u>21,649,922</u>
Total Revenues	<u>50,883,692</u>	<u>47,827,687</u>
<b>Expenditures</b>		
Debt Service:		
Contracted Services	863,352	819,538
Trustee's Commission	446,367	410,745
Principal on Bonds	22,980,467	21,370,468
Interest on Bonds	<u>25,102,520</u>	<u>23,704,393</u>
Total Expenditures	<u>49,392,706</u>	<u>46,305,144</u>
Excess of Revenues Over Expenditures	<u>1,490,986</u>	<u>1,522,543</u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	541,002	887,698
Transfers to Other Funds	<u>-</u>	<u>(7,000,000)</u>
Total Other Financing Sources (Uses)	<u>541,002</u>	<u>(6,112,302)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,031,988	(4,589,759)
Fund Balances, July 1	<u>30,625,114</u>	<u>35,214,873</u>
Fund Balances, June 30	<u>\$ 32,657,102</u>	<u>\$ 30,625,114</u>



KNOX COUNTY, TENNESSEE

**Debt Service Fund (Major)**  
**Comparative Schedules of Revenues, Expenditures**  
**And Changes in Fund Balances - Budget And Actual (GAAP Basis)**  
 For the years ended June 30, 2007 and June 30, 2006

	2007				2006		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 19,257,000	\$ 19,257,000	\$ 19,462,532	\$ 205,532	\$ 21,000,000	\$ 19,013,757	\$ (1,986,243)
Other Governments/Citizen Groups	1,013,887	1,013,887	329,800	(684,087)	873,251	297,878	(575,373)
Interest Earned	3,843,000	4,671,897	7,861,842	3,189,945	2,747,136	6,866,131	4,118,995
Payments from Component Units	23,229,518	23,229,518	23,229,518	-	21,921,959	21,649,921	(272,038)
<b>Total Revenues</b>	<b>47,343,405</b>	<b>48,172,302</b>	<b>50,883,692</b>	<b>2,711,390</b>	<b>46,542,346</b>	<b>47,827,687</b>	<b>1,285,341</b>
<b>Expenditures</b>							
Debt Service:							
Contracted Services	175,000	1,003,897	863,352	140,545	904,330	819,538	84,792
Trustee's Commission	475,000	475,000	446,367	28,633	475,000	410,745	64,255
Principal on Bonds	23,630,467	23,630,467	22,980,467	650,000	21,436,182	21,370,468	65,714
Interest on Bonds	28,719,533	28,719,533	25,102,520	3,617,013	27,514,532	23,704,393	3,810,139
<b>Total Expenditures</b>	<b>53,000,000</b>	<b>53,828,897</b>	<b>49,392,706</b>	<b>4,436,191</b>	<b>50,330,044</b>	<b>46,305,144</b>	<b>4,024,900</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,656,595)	(5,656,595)	1,490,986	7,147,581	(3,787,698)	1,522,543	5,310,241
<b>Other Financing Sources (Uses)</b>							
Transfers from Other Funds	1,574,952	1,574,952	541,002	(1,033,950)	887,698	887,698	-
Transfers to Other Funds	-	-	-	-	(7,000,000)	(7,000,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,574,952</b>	<b>1,574,952</b>	<b>541,002</b>	<b>(1,033,950)</b>	<b>(6,112,302)</b>	<b>(6,112,302)</b>	<b>-</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,081,643)	(4,081,643)	2,031,988	6,113,631	(9,900,000)	(4,589,759)	5,310,241
Fund Balance, July 1	30,625,114	30,625,114	30,625,114	-	35,214,873	35,214,873	-
Fund Balance, June 30	\$ 26,543,471	\$ 26,543,471	\$ 32,657,102	\$ 6,113,631	\$ 25,314,873	\$ 30,625,114	\$ 5,310,241

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

**State and Federal Grants Fund:** This fund is used to account for most State and Federal grant revenues.

**Governmental Library Fund:** This fund accounts for the operation of the law library that is available to the public but is used primarily by attorneys practicing in the courts. User fees are charged by the Governmental Library.

**Public Library Fund:** This fund is used to account for the operation of the County-wide public library system.

**Solid Waste Fund:** This fund is used to account for all solid waste and recycling activities.

**Hotel/Motel Tax Fund:** This fund accounts for the collection and use of the amusement tax to promote tourism and related economic activity in the County.

**Fire District Fund:** This fund is used to account for a separate tax for fire protection for businesses in an area commonly known as the Forks of the River Industrial Park.

**Drug Control Fund:** This fund was established pursuant to an amendment of Tennessee Code Annotated Section 39-17-420. This fund is used to account for drug control activities restricted for drug enforcement, drug education and non-recurring general law enforcement expenditures. This fund is primarily funded from the receipt of fines and costs related to drug enforcement cases.

**Highway Fund:** This fund is used to account for the County's share of the State gasoline and motor fuel taxes that are utilized to maintain non-state roads within the county.

### **CAPITAL PROJECTS FUND**

**ADA Construction Fund:** This fund is used to account for construction activity related to the Americans with Disabilities Act.

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**KNOX COUNTY, TENNESSEE****Combining Balance Sheet  
Nonmajor Governmental Funds**June 30, 2007

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	<b>Special Revenue Funds</b>	<b>ADA Construction Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 11,721,406	\$ 3,197,234	\$ 14,918,640
Receivables (Net of Allowance for Uncollectibles):			
Accounts	8,813,865	-	8,813,865
Property Taxes	207,187	1,389	208,576
Notes	3,212,519	-	3,212,519
Due from Other Funds	888,592	-	888,592
Inventories	5,876	-	5,876
Prepaid Items	1,446	-	1,446
<b>TOTAL ASSETS</b>	<b><u>\$ 24,850,891</u></b>	<b><u>\$ 3,198,623</u></b>	<b><u>\$ 28,049,514</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable and Accrued Liabilities	\$ 4,543,684	\$ 198,819	\$ 4,742,503
Due to Other Funds	2,810,821	-	2,810,821
Due to Component Units	25,872	-	25,872
Deferred Revenue	4,908,494	1,389	4,909,883
Advances from Other Funds	-	-	-
<b>TOTAL LIABILITIES</b>	<b><u>12,288,871</u></b>	<b><u>200,208</u></b>	<b><u>12,489,079</u></b>
<b>Fund balances:</b>			
Reserved	2,169,563	648,843	2,818,406
Unreserved:			
Designated	2,584,268	-	2,584,268
Undesignated	7,808,189	2,349,572	10,157,761
<b>TOTAL FUND BALANCES</b>	<b><u>12,562,020</u></b>	<b><u>2,998,415</u></b>	<b><u>15,560,435</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 24,850,891</u></b>	<b><u>\$ 3,198,623</u></b>	<b><u>\$ 28,049,514</u></b>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the year ended June 30, 2007**

	<b>Special Revenue Funds</b>	<b>ADA Construction Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>			
Local Taxes	\$ 12,488,604	\$ -	\$ 12,488,604
Fines, Forfeitures and Penalties	282,838	-	282,838
Charges for Current Services	821,394	-	821,394
Other Local Revenues	936,923	-	936,923
State of Tennessee	11,005,398	-	11,005,398
Federal Government	7,340,053	-	7,340,053
Other Governments and Citizen Groups	944,114	-	944,114
<b>Total Revenues</b>	<b>33,819,324</b>	<b>-</b>	<b>33,819,324</b>
<b>Expenditures</b>			
Current:			
Finance and Administration	434,575	-	434,575
Administration of Justice	601,448	-	601,448
Public Safety	4,153,509	-	4,153,509
Public Health and Welfare	11,667,925	-	11,667,925
Social and Cultural Services	13,251,732	-	13,251,732
Other General Government	6,648,139	-	6,648,139
Highways	11,228,081	-	11,228,081
Capital Projects	-	470,608	470,608
<b>Total Expenditures</b>	<b>47,985,409</b>	<b>470,608</b>	<b>48,456,017</b>
<b>Deficiency of Revenues Under Expenditures</b>	<b>(14,166,085)</b>	<b>(470,608)</b>	<b>(14,636,693)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	13,598,894	-	13,598,894
Transfers to Other Funds	(100,000)	-	(100,000)
Total Other Financing Sources	13,498,894	-	13,498,894
<b>Net Change in Fund Balances</b>	<b>(667,191)</b>	<b>(470,608)</b>	<b>(1,137,799)</b>
<b>Fund Balances, July 1</b>	<b>13,229,211</b>	<b>3,469,023</b>	<b>16,698,234</b>
<b>Fund Balances, June 30</b>	<b>\$ 12,562,020</b>	<b>\$ 2,998,415</b>	<b>\$ 15,560,435</b>

**KNOX COUNTY, TENNESSEE**

**Combining Balance Sheet  
Nonmajor Special Revenue Funds**

June 30, 2007

	<b>State and Federal Grants</b>	<b>Governmental Library</b>	<b>Public Library</b>	<b>Solid Waste</b>	<b>Hotel/Motel Tax</b>	<b>Fire District</b>	<b>Drug Control</b>	<b>Highway</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>ASSETS</b>									
Cash and Cash Equivalents	\$ 519,516	\$ 15,125	\$ 1,370,876	\$ 1,640,168	\$ 2,397,852	\$ 122,346	\$ 1,071,354	\$ 4,584,169	\$ 11,721,406
Receivables (Net of Allowance for Uncollectibles):									
Accounts	5,978,628	8,436	149,889	57,188	1,006,038	-	17,621	1,596,065	8,813,865
Property Taxes	-	-	15,633	5,744	-	185,810	-	-	207,187
Notes	3,212,519	-	-	-	-	-	-	-	3,212,519
Due from Other Funds	833,162	50,000	-	5,430	-	-	-	-	888,592
Inventories	5,876	-	-	-	-	-	-	-	5,876
Prepaid Items	-	-	1,446	-	-	-	-	-	1,446
<b>TOTAL ASSETS</b>	<b>\$ 10,549,701</b>	<b>\$ 73,561</b>	<b>\$ 1,537,844</b>	<b>\$ 1,708,530</b>	<b>\$ 3,403,890</b>	<b>\$ 308,156</b>	<b>\$ 1,088,975</b>	<b>\$ 6,180,234</b>	<b>\$ 24,850,891</b>
<b>LIABILITIES AND FUND BALANCE</b>									
Liabilities:									
Accounts Payable and Accrued Liabilities	\$ 506,319	\$ 27,803	\$ 223,295	\$ 149,454	\$ 1,942,164	\$ -	\$ 3,659	\$ 1,690,990	\$ 4,543,684
Due to Other Funds	2,438,510	-	94,649	164,283	-	-	71	113,308	2,810,821
Due to Component Units	-	-	-	-	-	-	-	25,872	25,872
Deferred Revenue	4,701,307	-	15,633	5,744	-	185,810	-	-	4,908,494
<b>TOTAL LIABILITIES</b>	<b>7,646,136</b>	<b>27,803</b>	<b>333,577</b>	<b>319,481</b>	<b>1,942,164</b>	<b>185,810</b>	<b>3,730</b>	<b>1,830,170</b>	<b>12,288,871</b>
Fund Balances:									
Reserved	887,233	-	8,233	-	755,130	-	88,336	430,631	2,169,563
Unreserved:									
Designated	217,913	-	14,355	-	325,000	-	-	2,027,000	2,584,268
Undesignated	1,798,419	45,758	1,181,679	1,389,049	381,596	122,346	996,909	1,892,433	7,808,189
<b>TOTAL FUND BALANCES</b>	<b>2,903,565</b>	<b>45,758</b>	<b>1,204,267</b>	<b>1,389,049</b>	<b>1,461,726</b>	<b>122,346</b>	<b>1,085,245</b>	<b>4,350,064</b>	<b>12,562,020</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 10,549,701</b>	<b>\$ 73,561</b>	<b>\$ 1,537,844</b>	<b>\$ 1,708,530</b>	<b>\$ 3,403,890</b>	<b>\$ 308,156</b>	<b>\$ 1,088,975</b>	<b>\$ 6,180,234</b>	<b>\$ 24,850,891</b>

KNOX COUNTY, TENNESSEE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the year ended June 30, 2007

	State and Federal Grants	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Fire District	Drug Control	Highway	Total Nonmajor Special Revenue Funds
<b>Revenues</b>									
Local Taxes	\$ -	\$ 64,938	\$ 1,195,161	\$ -	\$ 5,286,419	\$ 204,844	\$ -	\$ 5,737,242	\$ 12,488,604
Fines, Forfeitures and Penalties	82,325	-	-	-	-	-	200,513	-	282,838
Charges for Current Services	486,850	7,415	327,129	-	-	-	-	-	821,394
Other Local Revenues	392,272	1,122	28,116	445,753	-	-	69,660	-	936,923
State of Tennessee	5,516,251	-	70,125	386,648	-	-	-	5,032,374	11,005,398
Federal Government	7,320,068	-	-	-	-	-	19,985	-	7,340,053
Other Governments and Citizen Groups	535,024	32,500	176,820	-	-	-	199,770	-	944,114
Total revenues	14,332,790	105,975	1,797,351	832,401	5,286,419	204,844	489,928	10,769,616	33,819,324
<b>Expenditures</b>									
Current:									
Finance and Administration	434,575	-	-	-	-	-	-	-	434,575
Administration of Justice	601,448	-	-	-	-	-	-	-	601,448
Public Safety	3,525,738	-	-	-	-	159,928	467,843	-	4,153,509
Public Health and Welfare	7,528,877	-	-	4,139,048	-	-	-	-	11,667,925
Social and Cultural Services	946,345	184,233	12,121,154	-	-	-	-	-	13,251,732
Other General Government	1,753,865	-	-	-	4,894,274	-	-	-	6,648,139
Highways	-	-	-	-	-	-	-	11,228,081	11,228,081
Total expenditures	14,790,848	184,233	12,121,154	4,139,048	4,894,274	159,928	467,843	11,228,081	47,985,409
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(458,058)	(78,258)	(10,323,803)	(3,306,647)	392,145	44,916	22,085	(458,465)	(14,166,085)
<b>Other financing sources (uses)</b>									
Transfers from Other Funds	1,781,723	97,248	9,000,000	2,719,923	-	-	-	-	13,598,894
Transfers to Other Funds	-	-	-	-	(100,000)	-	-	-	(100,000)
Total other financing sources (uses)	1,781,723	97,248	9,000,000	2,719,923	(100,000)	-	-	-	13,498,894
<b>Net change in fund balances</b>	1,323,665	18,990	(1,323,803)	(586,724)	292,145	44,916	22,085	(458,465)	(667,191)
<b>Fund Balance, July 1</b>	1,579,900	26,768	2,528,070	1,975,773	1,169,581	77,430	1,063,160	4,808,529	13,229,211
<b>Fund Balance, June 30</b>	\$ 2,903,565	\$ 45,758	\$ 1,204,267	\$ 1,389,049	\$ 1,461,726	\$ 122,346	\$ 1,085,245	\$ 4,350,064	\$ 12,562,020

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**KNOX COUNTY, TENNESSEE**

**State and Federal Grants Special Revenue Fund**  
**Comparative Balance Sheets**  
June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 519,516	\$ 638,604
Receivables (Net of Allowances for Uncollectibles):		
Accounts	5,978,628	6,592,414
Notes	3,212,519	3,204,030
Due from Other Funds	833,162	-
Inventories	5,876	7,670
	<u>10,549,701</u>	<u>10,442,718</u>
<b>TOTAL ASSETS</b>	<b>\$ 10,549,701</b>	<b>\$ 10,442,718</b>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 506,319	\$ 664,787
Due to Other Funds	2,438,510	4,386,108
Deferred Revenue	4,701,307	3,811,923
	<u>7,646,136</u>	<u>8,862,818</u>
<b>TOTAL LIABILITIES</b>	<b>7,646,136</b>	<b>8,862,818</b>
 <b>Fund Balances (Deficits):</b>		
Reserved	887,233	874,878
Unreserved:		
Designated	217,913	217,913
Undesignated	1,798,419	487,109
	<u>2,903,565</u>	<u>1,579,900</u>
<b>TOTAL FUND BALANCES</b>	<b>2,903,565</b>	<b>1,579,900</b>
	<u>10,549,701</u>	<u>10,442,718</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 10,549,701</b>	<b>\$ 10,442,718</b>

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**KNOX COUNTY, TENNESSEE**

**State and Federal Grants Special Revenue Fund  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Balances**

For the years ended June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Fines, Forfeitures, and Penalties	\$ 82,325	\$ 55,090
Charges for Current Services	486,850	454,227
Other Local Revenues	392,272	378,463
State of Tennessee	5,516,251	2,317,819
Federal Government	7,320,068	10,319,130
Other Governmental and Citizen Groups	<u>535,024</u>	<u>24,790</u>
Total Revenues	<u>14,332,790</u>	<u>13,549,519</u>
<b>Expenditures</b>		
Current:		
General Government:		
Finance and Administration	434,575	395,855
Administration of Justice	601,448	724,301
Public Safety	3,525,738	4,762,931
Public Health and Welfare	7,528,877	6,648,957
Social and Cultural Services	946,345	176,289
Other General Government	<u>1,753,865</u>	<u>2,377,073</u>
Total Expenditures	<u>14,790,848</u>	<u>15,085,406</u>
Deficiency of Revenues Under Expenditures	<u>(458,058)</u>	<u>(1,535,887)</u>
<b>Other Financing Sources</b>		
Transfers from Other Funds	<u>1,781,723</u>	<u>879,715</u>
Total Other Financing Sources	<u>1,781,723</u>	<u>879,715</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	1,323,665	(656,172)
Fund Balances, July 1	<u>1,579,900</u>	<u>2,236,072</u>
Fund Balances, June 30	<u>\$ 2,903,565</u>	<u>\$ 1,579,900</u>



**KNOX COUNTY, TENNESSEE**

**State and Federal Grants Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2007 and June 30, 2006**

	2007				2006		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Charges for Current Services	\$ 459,856	\$ 487,856	\$ 473,577	\$ (14,279)	\$ 470,644	\$ 356,610	\$ (114,034)
Other Local Revenues	-	-	-	-	-	127,724	127,724
Federal Government	509,677	536,292	376,691	(159,601)	715,821	401,659	(314,162)
<b>Total Revenues</b>	<b>969,533</b>	<b>1,024,148</b>	<b>850,268</b>	<b>(173,880)</b>	<b>1,186,465</b>	<b>885,993</b>	<b>(300,472)</b>
<b>Expenditures</b>							
Current:							
General Government:							
Personal Services	565,484	629,885	534,185	95,700	614,673	500,671	114,002
Employee Benefits	145,695	166,872	143,827	23,045	151,080	122,261	28,819
Contracted Services	238,900	259,500	227,431	32,069	278,049	215,942	62,107
Supplies and Materials	88,850	94,487	49,291	45,196	111,756	86,039	25,717
Other Charges	148,171	194,453	160,582	33,871	98,065	144,436	(46,371)
Capital Outlay	12,900	12,900	12,900	-	80,900	80,900	-
<b>Total Expenditures</b>	<b>1,200,000</b>	<b>1,358,097</b>	<b>1,128,216</b>	<b>229,881</b>	<b>1,334,523</b>	<b>1,150,249</b>	<b>184,274</b>
Deficiency of Revenues Under Expenditures	(230,467)	(333,949)	(277,948)	56,001	(148,058)	(264,256)	(116,198)
<b>Other Financing Sources (Uses)</b>							
Transfers from Other Funds	212,406	212,406	212,406	-	212,406	212,406	-
Transfers to Other Funds	-	-	-	-	(115,010)	-	115,010
<b>Total Other Financing Sources</b>	<b>212,406</b>	<b>212,406</b>	<b>212,406</b>	<b>-</b>	<b>97,396</b>	<b>212,406</b>	<b>115,010</b>
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(18,061)	(121,543)	(65,542)	56,001	(50,662)	(51,850)	(1,188)
Fund Balances, July 1	754,216	754,216	754,216	-	806,066	806,066	-
Fund Balances, June 30	\$ 736,155	\$ 632,673	\$ 688,674	\$ 56,001	\$ 755,404	\$ 754,216	\$ (1,188)
<b>Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):</b>							
Fund Balance (Budget Basis)			\$ 688,674		\$ 754,216		
Entity Difference:							
Unbudgeted Funds			2,214,891		825,684		
Fund Balance (GAAP Basis)			<u>\$ 2,903,565</u>		<u>\$ 1,579,900</u>		

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**KNOX COUNTY, TENNESSEE**

**Governmental Library Special Revenue Fund**

**Comparative Balance Sheets**

June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 15,125	\$ 83,873
Receivables (Net of Allowances for Uncollectibles):		
Accounts	8,436	5,769
Due from Other Funds	<u>50,000</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 73,561</u></u>	<u><u>\$ 89,642</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 27,803	\$ 25,626
Advances from Other Funds	<u>-</u>	<u>37,248</u>
<b>TOTAL LIABILITIES</b>	<u>27,803</u>	<u>62,874</u>
 <b>Fund Balances:</b>		
Reserved	-	1,245
Unreserved, undesignated	<u>45,758</u>	<u>25,523</u>
<b>TOTAL FUND BALANCES</b>	<u>45,758</u>	<u>26,768</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 73,561</u></u>	<u><u>\$ 89,642</u></u>

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**KNOX COUNTY, TENNESSEE**

**Governmental Library Special Revenue Fund  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Balances**

For the years ended June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Local Taxes	\$ 64,938	\$ 63,050
Charges for Current Services	7,415	9,625
Other Local Revenues	1,122	10
Other Governments and Citizens Groups	<u>32,500</u>	<u>32,000</u>
Total Revenues	<u>105,975</u>	<u>104,685</u>
<b>Expenditures</b>		
Current:		
General Government:		
Social and Cultural Services	<u>184,233</u>	<u>158,682</u>
Deficiency of Revenues Under Expenditures	<u>(78,258)</u>	<u>(53,997)</u>
<b>Other Financing Sources</b>		
Transfers from Other Funds	<u>97,248</u>	<u>75,000</u>
Excess of Revenues and Other Financing Sources Over Expenditures	18,990	21,003
Fund Balances, July 1	<u>26,768</u>	<u>5,765</u>
Fund Balances, June 30	<u>\$ 45,758</u>	<u>\$ 26,768</u>

**KNOX COUNTY, TENNESSEE**

**Governmental Library Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget and Actual (GAAP Basis)  
For the years ended June 30, 2007 and June 30, 2006**

	2007				2006		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 95,700	\$ 95,700	\$ 64,938	\$ (30,762)	\$ 65,700	\$ 63,050	\$ (2,650)
Charges for Current Services	13,900	13,900	7,415	(6,485)	14,300	9,625	(4,675)
Other Local Revenues	400	400	1,122	722	-	10	10
Other Governments and Citizens Groups	-	-	32,500	32,500	31,000	32,000	1,000
<b>Total Revenues</b>	<b>110,000</b>	<b>110,000</b>	<b>105,975</b>	<b>(4,025)</b>	<b>111,000</b>	<b>104,685</b>	<b>(6,315)</b>
<b>Expenditures</b>							
Current:							
General Government:							
Social and Cultural Services:							
Personal Services	46,309	45,814	45,814	-	44,353	44,268	85
Employee Benefits	9,869	9,868	9,801	67	9,332	9,059	273
Contracted Services	14,927	16,172	7,801	8,371	14,096	4,514	9,582
Supplies and Materials	39,069	126,317	110,685	15,632	107,961	90,782	17,179
Other Charges	9,826	10,322	10,132	190	10,258	10,059	199
<b>Total Expenditures</b>	<b>120,000</b>	<b>208,493</b>	<b>184,233</b>	<b>24,260</b>	<b>186,000</b>	<b>158,682</b>	<b>27,318</b>
Deficiency of Revenues Under Expenditures	(10,000)	(98,493)	(78,258)	20,235	(75,000)	(53,997)	21,003
<b>Other Financing Sources</b>							
Transfers from Other Funds	10,000	97,248	97,248	-	75,000	75,000	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	-	(1,245)	18,990	20,235	-	21,003	21,003
Fund Balances, July 1	26,768	26,768	26,768	-	5,765	5,765	-
Fund Balances, June 30	\$ 26,768	\$ 25,523	\$ 45,758	\$ 20,235	\$ 5,765	\$ 26,768	\$ 21,003

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**KNOX COUNTY, TENNESSEE**

**Public Library Special Revenue Fund**

**Comparative Balance Sheets**

June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,370,876	\$ 2,963,107
Receivables (Net of Allowances for Uncollectibles):		
Accounts Receivable	149,889	33,148
Property Taxes	15,633	45,140
Prepaid Items	<u>1,446</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,537,844</u></u>	<u><u>\$ 3,041,395</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 223,295	\$ 216,463
Due to Other Funds	94,649	238,617
Deferred Revenue	<u>15,633</u>	<u>58,245</u>
<b>TOTAL LIABILITIES</b>	<u>333,577</u>	<u>513,325</u>
 <b>Fund Balances:</b>		
Reserved	8,233	155,491
Unreserved:		
Designated	14,355	201,571
Undesignated	<u>1,181,679</u>	<u>2,171,008</u>
<b>TOTAL FUND BALANCES</b>	<u>1,204,267</u>	<u>2,528,070</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 1,537,844</u></u>	<u><u>\$ 3,041,395</u></u>

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**KNOX COUNTY, TENNESSEE**

**Public Library Special Revenue Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**

For the years ended June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Local Taxes	\$ 1,195,161	\$ 1,228,428
Charges for Current Services	327,129	396,657
Other Local Revenues	28,116	30,889
State of Tennessee	70,125	52,955
Other Governments and Citizens Groups	<u>176,820</u>	<u>111,793</u>
Total Revenues	<u>1,797,351</u>	<u>1,820,722</u>
<b>Expenditures</b>		
Current:		
General Government:		
Social and Cultural Services	<u>12,121,154</u>	<u>11,495,090</u>
Deficiency of Revenues Under Expenditures	(10,323,803)	(9,674,368)
<b>Other Financing Sources</b>		
Transfers from Other Funds	<u>9,000,000</u>	<u>8,928,500</u>
Deficiency of Revenues and Other Financing Sources Under Expenditures	(1,323,803)	(745,868)
Fund Balances, July 1	<u>2,528,070</u>	<u>3,273,938</u>
Fund Balances, June 30	<u>\$ 1,204,267</u>	<u>\$ 2,528,070</u>

**KNOX COUNTY, TENNESSEE**

**Public Library Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2007 and June 30, 2006**

	2007				2006		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 1,258,428	\$ 1,258,428	\$ 1,195,161	\$ (63,267)	\$ 1,258,428	\$ 1,228,428	\$ (30,000)
Charges for Current Services	397,500	397,530	327,129	(70,401)	375,000	396,657	21,657
Other Local Revenues	55,008	69,360	28,116	(41,244)	28,025	30,889	2,864
State of Tennessee	50,000	143,500	70,125	(73,375)	98,455	52,955	(45,500)
Other Governments and Citizens Groups	181,564	349,543	176,820	(172,723)	393,105	111,793	(281,312)
<b>Total Revenues</b>	<b>1,942,500</b>	<b>2,218,361</b>	<b>1,797,351</b>	<b>(421,010)</b>	<b>2,153,013</b>	<b>1,820,722</b>	<b>(332,291)</b>
<b>Expenditures</b>							
Current:							
General Government:							
Social and Cultural Services:							
Personal Services	6,369,654	6,137,455	6,137,430	25	5,847,903	5,842,288	5,615
Employee Benefits	1,414,969	1,481,654	1,481,585	69	1,383,331	1,347,964	35,367
Contracted Services	2,617,045	2,759,253	2,732,827	26,426	2,666,046	2,631,185	34,861
Supplies and Materials	899,087	1,453,488	1,422,326	31,162	1,691,294	1,470,110	221,184
Other Charges	106,174	99,369	97,167	2,202	115,433	100,799	14,634
Capital Outlay	141,200	249,833	249,819	14	235,658	102,744	132,914
<b>Total Expenditures</b>	<b>11,548,129</b>	<b>12,181,052</b>	<b>12,121,154</b>	<b>59,898</b>	<b>11,939,665</b>	<b>11,495,090</b>	<b>444,575</b>
Deficiency of Revenues Under Expenditures	(9,605,629)	(9,962,691)	(10,323,803)	(361,112)	(9,786,652)	(9,674,368)	112,284
<b>Other Financing Sources</b>							
Transfers from Other Funds	9,000,000	9,000,000	9,000,000	-	8,928,500	8,928,500	-
Deficiency of Revenues and Other Financing Sources Under Expenditures	(605,629)	(962,691)	(1,323,803)	(361,112)	(858,152)	(745,868)	112,284
Fund Balances, July 1	2,528,070	2,528,070	2,528,070	-	3,273,938	3,273,938	-
Fund Balances, June 30	\$ 1,922,441	\$ 1,565,379	\$ 1,204,267	\$ (361,112)	\$ 2,415,786	\$ 2,528,070	\$ 112,284

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**KNOX COUNTY, TENNESSEE**

**Solid Waste Special Revenue Fund**

**Comparative Balance Sheets**

June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,640,168	\$ 2,532,800
Receivables (Net of Allowances for Uncollectibles):		
Accounts	57,188	91,858
Property Taxes	5,744	16,584
Due from Other Funds	<u>5,430</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,708,530</u></u>	<u><u>\$ 2,641,242</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 149,454	\$ 644,156
Due to Other Funds	164,283	4,729
Deferred Revenue	<u>5,744</u>	<u>16,584</u>
<b>TOTAL LIABILITIES</b>	<u>319,481</u>	<u>665,469</u>
 <b>Fund Balances:</b>		
Reserved	-	24,640
Unreserved:		
Undesignated	<u>1,389,049</u>	<u>1,951,133</u>
<b>TOTAL FUND BALANCES</b>	<u>1,389,049</u>	<u>1,975,773</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 1,708,530</u></u>	<u><u>\$ 2,641,242</u></u>



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**KNOX COUNTY, TENNESSEE**

**Solid Waste Special Revenue Fund  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Balances**

For the years ended June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Other Local Revenues	\$ 445,753	\$ 235,918
State of Tennessee	<u>386,648</u>	<u>588,816</u>
Total Revenues	<u>832,401</u>	<u>824,734</u>
<b>Expenditures</b>		
Current:		
General Government:		
Public Health and Welfare	<u>4,139,048</u>	<u>4,577,095</u>
Deficiency of Revenues Under Expenditures	<u>(3,306,647)</u>	<u>(3,752,361)</u>
<b>Other Financing Sources</b>		
Transfers from Other Funds	<u>2,719,923</u>	<u>2,700,000</u>
Deficiency of Revenues and Other Financing Sources Under Expenditures	(586,724)	(1,052,361)
Fund Balances, July 1	<u>1,975,773</u>	<u>3,028,134</u>
Fund Balances, June 30	<u><u>\$ 1,389,049</u></u>	<u><u>\$ 1,975,773</u></u>

**KNOX COUNTY, TENNESSEE**

**Solid Waste Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2007 and June 30, 2006**

	2007				2006		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 14,000	\$ 14,000	\$ -	\$ (14,000)	\$ 10,000	\$ -	\$ (10,000)
Charges for Current Services	28,000	28,000	34,580	6,580	-	-	-
Other Local Revenues	234,000	270,615	411,173	140,558	204,000	235,918	31,918
State of Tennessee	315,000	343,008	386,648	43,640	269,000	588,816	319,816
<b>Total Revenues</b>	<b>591,000</b>	<b>655,623</b>	<b>832,401</b>	<b>176,778</b>	<b>483,000</b>	<b>824,734</b>	<b>341,734</b>
<b>Expenditures</b>							
Current:							
General Government:							
Public Health and Welfare:							
Personal Services	719,649	707,893	707,890	3	683,777	683,616	161
Employee Benefits	213,796	227,183	226,580	603	212,727	212,233	494
Contracted Services	2,830,220	2,839,607	2,790,674	48,933	3,311,329	3,285,998	25,331
Supplies and Materials	95,575	143,325	132,676	10,649	151,036	146,298	4,738
Other Charges	221,626	221,626	214,300	7,326	182,700	182,700	-
Capital Outlay	-	31,103	31,103	-	86,689	42,022	44,667
Litter and Trash Collection:							
Contracted Services	2,000	18,382	12,751	5,631	10,500	9,713	787
Supplies and Materials	7,250	23,453	23,074	379	15,250	14,515	735
Other Charges	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>4,090,116</b>	<b>4,212,572</b>	<b>4,139,048</b>	<b>73,524</b>	<b>4,654,008</b>	<b>4,577,095</b>	<b>76,913</b>
Deficiency of Revenues Under Expenditures	(3,499,116)	(3,556,949)	(3,306,647)	250,302	(4,171,008)	(3,752,361)	418,647
<b>Other Financing Sources</b>							
Transfers from Other Funds	2,700,000	2,725,585	2,719,923	(5,662)	2,700,000	2,700,000	-
Deficiency of Revenues and Other Financing Sources Under Expenditures	(799,116)	(831,364)	(586,724)	244,640	(1,471,008)	(1,052,361)	418,647
Fund Balances, July 1	1,975,773	1,975,773	1,975,773	-	3,028,134	3,028,134	-
Fund Balances, June 30	\$ 1,176,657	\$ 1,144,409	\$ 1,389,049	\$ 244,640	\$ 1,557,126	\$ 1,975,773	\$ 418,647

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**KNOX COUNTY, TENNESSEE**

**Hotel/Motel Tax Special Revenue Fund**  
**Comparative Balance Sheets**  
June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,397,852	\$ 1,803,523
Accounts Receivable	<u>1,006,038</u>	<u>887,349</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,403,890</u></u>	<u><u>\$ 2,690,872</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	<u>\$ 1,942,164</u>	<u>\$ 1,521,291</u>
<b>TOTAL LIABILITIES</b>	<u>1,942,164</u>	<u>1,521,291</u>
 <b>Fund Balances:</b>		
Reserved	755,130	217,400
Unreserved:		
Designated	325,000	-
Undesignated	<u>381,596</u>	<u>952,181</u>
<b>TOTAL FUND BALANCES</b>	<u>1,461,726</u>	<u>1,169,581</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 3,403,890</u></u>	<u><u>\$ 2,690,872</u></u>

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**KNOX COUNTY, TENNESSEE**

**Hotel/Motel Tax Special Revenue Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**

For the years ended June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Local Taxes	\$ 5,286,419	\$ 4,702,072
Total Revenues	<u>5,286,419</u>	<u>4,702,072</u>
<b>Expenditures</b>		
Current:		
General Government:		
Other General Government	<u>4,894,274</u>	<u>3,937,914</u>
Excess of Revenues Over Expenditures	392,145	764,158
<b>Other Financing Uses</b>		
Transfers to Other Funds	<u>(100,000)</u>	<u>(100,000)</u>
Excess of Revenues Over Expenditures and Other Financing Uses	292,145	664,158
Fund Balances, July 1	<u>1,169,581</u>	<u>505,423</u>
Fund Balances, June 30	<u><u>\$ 1,461,726</u></u>	<u><u>\$ 1,169,581</u></u>

**KNOX COUNTY, TENNESSEE**

**Hotel/Motel Tax Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget and Actual (GAAP Basis)  
For the years ended June 30, 2007 and June 30, 2006**

	2007				2006		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 4,600,000	\$ 4,600,000	\$ 5,286,419	\$ 686,419	\$ 4,100,000	\$ 4,702,072	\$ 602,072
<b>Expenditures</b>							
Current:							
General Government:							
Other General Government:							
Contracted Services	2,400,000	2,400,000	2,308,455	91,545	2,157,750	2,012,021	145,729
Other Charges	2,150,000	2,459,064	2,585,819	(126,755)	1,942,250	1,925,893	16,357
Total Expenditures	4,550,000	4,859,064	4,894,274	(35,210)	4,100,000	3,937,914	162,086
Excess (Deficiency) of Revenues Over (Under) Expenditures	50,000	(259,064)	392,145	651,209	-	764,158	764,158
<b>Other Financing Uses</b>							
Transfers to Other Funds	(250,000)	(250,000)	(100,000)	(150,000)	(100,000)	(100,000)	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(200,000)	(509,064)	292,145	801,209	(100,000)	664,158	764,158
Fund Balances, July 1	1,169,581	1,169,581	1,169,581	-	505,423	505,423	-
Fund Balances, June 30	\$ 969,581	\$ 660,517	\$ 1,461,726	\$ 801,209	\$ 405,423	\$ 1,169,581	\$ 764,158

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KNOX COUNTY, TENNESSEE

Fire District Special Revenue Fund  
Comparative Balance Sheets  
June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 122,346	\$ 76,231
Receivables (Net of Allowances for Uncollectibles):		
Property Taxes	<u>185,810</u>	<u>207,751</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 308,156</u></u>	<u><u>\$ 283,982</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Deferred Revenue	<u>\$ 185,810</u>	<u>\$ 206,552</u>
<b>TOTAL LIABILITIES</b>	<u>185,810</u>	<u>206,552</u>
 <b>Fund Balances:</b>		
Unreserved, undesignated	<u>122,346</u>	<u>77,430</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 308,156</u></u>	<u><u>\$ 283,982</u></u>

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**KNOX COUNTY, TENNESSEE**

**Fire District Special Revenue Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**

For the years ended June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Local Taxes	<u>\$ 204,844</u>	<u>\$ 209,153</u>
<b>Expenditures</b>		
Current:		
General Government:		
Public Safety	<u>159,928</u>	<u>155,046</u>
Excess of Revenues Over Expenditures	44,916	54,107
Fund Balances, July 1	<u>77,430</u>	<u>23,323</u>
Fund Balances, June 30	<u><u>\$ 122,346</u></u>	<u><u>\$ 77,430</u></u>

**KNOX COUNTY, TENNESSEE**

**Fire District Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2007 and June 30, 2006**

	2007				2006		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 180,000	\$ 180,000	\$ 204,844	\$ 24,844	\$ 172,000	\$ 209,153	\$ 37,153
<b>Expenditures</b>							
Current:							
General Government:							
Public Safety:							
Contracted Services	165,000	165,000	155,831	9,169	158,000	150,828	7,172
Other Charges	15,000	15,000	4,097	10,903	14,000	4,218	9,782
Total Expenditures	180,000	180,000	159,928	20,072	172,000	155,046	16,954
Excess of Revenues Over Expenditures	-	-	44,916	44,916	-	54,107	54,107
Fund Balances, July 1	77,430	77,430	77,430	-	23,323	23,323	-
Fund Balances, June 30	\$ 77,430	\$ 77,430	\$ 122,346	\$ 44,916	\$ 23,323	\$ 77,430	\$ 54,107



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**KNOX COUNTY, TENNESSEE**

**Drug Control Special Revenue Fund**  
**Comparative Balance Sheets**  
June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,071,354	\$ 1,044,177
Receivables (Net of Allowances for Uncollectibles):		
Accounts	<u>17,621</u>	<u>63,747</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,088,975</u></u>	<u><u>\$ 1,107,924</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 3,659	\$ 44,764
Due to Other Funds	<u>71</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>3,730</u>	<u>44,764</u>
 <b>Fund Balances:</b>		
Reserved	88,336	183,409
Unreserved:		
Undesignated	<u>996,909</u>	<u>879,751</u>
<b>TOTAL FUND BALANCES</b>	<u>1,085,245</u>	<u>1,063,160</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 1,088,975</u></u>	<u><u>\$ 1,107,924</u></u>

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**KNOX COUNTY, TENNESSEE**

**Drug Control Special Revenue Fund  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Balances**

For the years ended June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Fines, Forfeitures, and Penalties	\$ 200,513	\$ 438,743
Other Local Revenues	69,660	110,301
Federal Government	19,985	107,796
Other Governments and Citizens Groups	199,770	178,713
	<hr/>	<hr/>
Total Revenues	489,928	835,553
	<hr/>	<hr/>
<b>Expenditures</b>		
Current:		
General Government:		
Public Safety	467,843	219,294
Administration of Justice	-	1,696
	<hr/>	<hr/>
Total Expenditures	467,843	220,990
	<hr/>	<hr/>
Excess of Revenues Over Expenditures	22,085	614,563
	<hr/>	<hr/>
Fund Balances, July 1	1,063,160	448,597
	<hr/>	<hr/>
Fund Balances, June 30	<u>\$ 1,085,245</u>	<u>\$ 1,063,160</u>

**KNOX COUNTY, TENNESSEE**

**Drug Control Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2007 and June 30, 2006**

	2007				2006		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Fines, Forfeitures, and Penalties	\$ -	\$ 370,000	\$ 200,513	\$ (169,487)	\$ 470,000	\$ 438,743	\$ (31,257)
Other Local Revenues	-	-	69,660	69,660	-	110,301	110,301
Federal Government	-	-	19,985	19,985	-	107,796	107,796
Other Governments and Citizens Groups	-	100,000	199,770	99,770	5,000	178,713	173,713
<b>Total Revenues</b>	-	470,000	489,928	19,928	475,000	835,553	360,553
<b>Expenditures</b>							
Current:							
General Government:							
Public Safety:							
Contracted Services	-	408,368	271,538	136,830	185,000	106,349	78,651
Supplies and Materials	-	132,103	128,535	3,568	215,000	68,652	146,348
Other Charges	-	43,000	37,552	5,448	50,000	44,293	5,707
Capital Outlay	-	100,000	30,218	69,782	25,000	-	25,000
Administration of Justice:							
Contracted Services	-	-	-	-	1,696	1,696	-
<b>Total Expenditures</b>	-	683,471	467,843	215,628	476,696	220,990	255,706
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(213,471)	22,085	235,556	(1,696)	614,563	616,259
Fund Balances, July 1	1,063,160	1,063,160	1,063,160	-	448,597	448,597	-
Fund Balances, June 30	\$ 1,063,160	\$ 849,689	\$ 1,085,245	\$ 235,556	\$ 446,901	\$ 1,063,160	\$ 616,259

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**KNOX COUNTY, TENNESSEE**

**Highway Special Revenue Fund**  
**Comparative Balance Sheets**  
June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 4,584,169	\$ 3,374,618
Receivables (Net of Allowances for Uncollectibles):		
Accounts	<u>1,596,065</u>	<u>2,379,563</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 6,180,234</u></u>	<u><u>\$ 5,754,181</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 1,690,990	\$ 913,119
Due to Other Funds	113,308	32,533
Due to Component Units	<u>25,872</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>1,830,170</u>	<u>945,652</u>
 <b>Fund Balances:</b>		
Reserved	430,631	83,228
Unreserved:		
Designated	2,027,000	1,400,000
Undesignated	<u>1,892,433</u>	<u>3,325,301</u>
<b>TOTAL FUND BALANCES</b>	<u>4,350,064</u>	<u>4,808,529</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 6,180,234</u></u>	<u><u>\$ 5,754,181</u></u>

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**KNOX COUNTY, TENNESSEE**

**Highway Special Revenue Fund**  
**Comparative Statements of Revenues, Expenditures**  
**And Changes in Fund Balances**

For the years ended June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Local Taxes	\$ 5,737,242	\$ 5,850,541
Other Local Revenues	-	28,061
State of Tennessee	5,032,374	5,674,647
Other Governments and Citizens Groups	-	25,000
	<hr/>	<hr/>
Total Revenues	10,769,616	11,578,249
	<hr/>	<hr/>
<b>Expenditures</b>		
Current:		
Highways	11,228,081	12,887,045
	<hr/>	<hr/>
Deficiency of Revenues Under Expenditures	(458,465)	(1,308,796)
	<hr/>	<hr/>
Fund Balances, July 1	4,808,529	6,117,325
	<hr/>	<hr/>
Fund Balances, June 30	<u>\$ 4,350,064</u>	<u>\$ 4,808,529</u>

**KNOX COUNTY, TENNESSEE**

**Highway Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balance - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2007 and June 30, 2006**

	2007				2006		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 6,000,440	\$ 6,000,440	\$ 5,737,242	\$ (263,198)	\$ 5,695,000	\$ 5,850,541	\$ 155,541
Other Local Revenues	30,000	30,000	-	(30,000)	10,325	28,061	17,736
State of Tennessee	5,576,431	5,576,431	5,032,374	(544,057)	5,375,000	5,674,647	299,647
Other Governments and Citizens Groups	-	-	-	-	-	25,000	25,000
<b>Total Revenues</b>	<b>11,606,871</b>	<b>11,606,871</b>	<b>10,769,616</b>	<b>(837,255)</b>	<b>11,080,325</b>	<b>11,578,249</b>	<b>497,924</b>
<b>Expenditures</b>							
Current:							
Highways:							
Administration:							
Personal Services	761,018	730,915	714,259	16,656	513,673	490,299	23,374
Employee Benefits	172,363	163,146	163,086	60	125,719	111,431	14,288
Contracted Services	123,740	131,225	124,631	6,594	134,398	111,623	22,775
Supplies and Materials	91,950	123,067	105,727	17,340	121,606	99,394	22,212
Capital Outlay	45,000	60,000	59,895	105	-	-	-
Other Charges	117,592	118,476	117,383	1,093	129,792	127,906	1,886
Highways and Bridge Maintenance:							
Personal Services	2,637,718	2,477,262	2,477,262	-	2,390,730	2,390,695	35
Employee Benefits	765,651	754,931	754,931	-	705,522	705,043	479
Contracted Services	728,000	1,040,565	1,019,048	21,517	956,260	905,833	50,427
Supplies and Materials	4,072,037	4,670,860	3,675,629	995,231	6,046,832	5,871,737	175,095
Other Charges	458,700	650,000	-	650,000	508,400	508,400	-
Capital Outlay	-	458,700	458,700	-	50,000	44,013	5,987
Various Highway:							
Personal Services	683,055	689,231	638,212	51,019	580,050	578,469	1,581
Employee Benefits	188,061	188,061	170,520	17,541	154,564	151,633	2,931
Contracted Services	259,850	296,450	209,446	87,004	485,941	255,941	230,000
Supplies and Materials	217,565	241,662	231,579	10,083	295,343	230,742	64,601
Other Charges	124,700	124,700	112,396	12,304	120,050	108,211	11,839
Capital Outlay	653,000	663,977	195,377	468,600	1,264,299	195,675	1,068,624
<b>Total Expenditures</b>	<b>12,100,000</b>	<b>13,583,228</b>	<b>11,228,081</b>	<b>2,355,147</b>	<b>14,583,179</b>	<b>12,887,045</b>	<b>1,696,134</b>
Deficiency of Revenues Under Expenditures	(493,129)	(1,976,357)	(458,465)	1,517,892	(3,502,854)	(1,308,796)	2,194,058
Fund Balances, July 1	4,808,529	4,808,529	4,808,529	-	6,117,325	6,117,325	-
Fund Balances, June 30	\$ 4,315,400	\$ 2,832,172	\$ 4,350,064	\$ 1,517,892	\$ 2,614,471	\$ 4,808,529	\$ 2,194,058

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**KNOX COUNTY, TENNESSEE**

**ADA Construction Capital Projects Fund (Nonmajor)**

**Comparative Balance Sheets**

June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,197,234	\$ 3,475,205
Receivables (Net of Allowances for Uncollectibles):		
Property Taxes	<u>1,389</u>	<u>4,013</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,198,623</u></u>	<u><u>\$ 3,479,218</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 198,819	\$ 6,182
Deferred Revenue	<u>1,389</u>	<u>4,013</u>
<b>TOTAL LIABILITIES</b>	<u>200,208</u>	<u>10,195</u>
 <b>Fund Balances</b>		
Reserved	648,843	-
Unreserved, Undesignated	<u>2,349,572</u>	<u>3,469,023</u>
<b>TOTAL FUND BALANCES</b>	<u>2,998,415</u>	<u>3,469,023</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 3,198,623</u></u>	<u><u>\$ 3,479,218</u></u>

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**KNOX COUNTY, TENNESSEE**

**ADA Construction Capital Projects Fund (Nonmajor)  
Comparative Statements of Revenues, Expenditures  
And Changes in Fund Balances**

For the years ended June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Local Taxes	<u>\$ -</u>	<u>\$ -</u>
<b>Expenditures</b>		
Capital Projects:		
Capital Projects	<u>470,608</u>	<u>229,511</u>
Deficiency of Revenues Under Expenditures	(470,608)	(229,511)
<b>Other Financing Uses:</b>		
Transfers to Other Funds	<u>-</u>	<u>(180,000)</u>
Deficiency of Revenues Under Expenditures and Other Financing Uses	(470,608)	(409,511)
Fund Balances, July 1	<u>3,469,023</u>	<u>3,878,534</u>
Fund Balances, June 30	<u><u>\$ 2,998,415</u></u>	<u><u>\$ 3,469,023</u></u>



**KNOX COUNTY, TENNESSEE**

**ADA Construction Capital Projects Fund (Nonmajor)  
Comparative Schedules of Revenues, Expenditures  
And Changes in Fund Balances - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2007 and June 30, 2006**

	2007				2006		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>							
Capital Projects:							
Contracted Services	45,000	110,000	12,235	97,765	107,752	12,461	95,291
Supplies & Materials	55,000	55,000	-	55,000	55,000	-	55,000
Other Charges	10,000	10,000	-	10,000	-	-	-
Capital Outlay	640,000	1,128,497	458,373	670,124	620,256	217,050	403,206
Total Expenditures	750,000	1,303,497	470,608	832,889	783,008	229,511	553,497
Deficiency of Revenues Under Expenditures	(750,000)	(1,303,497)	(470,608)	832,889	(783,008)	(229,511)	553,497
<b>Other Financing Uses:</b>							
Transfers to Other Funds	-	-	-	-	(180,000)	(180,000)	-
Deficiency of Revenues Under Expenditures and Other Financing Uses	(750,000)	(1,303,497)	(470,608)	832,889	(963,008)	(409,511)	553,497
Fund Balances, July 1	3,469,023	3,469,023	3,469,023	-	3,878,534	3,878,534	-
Fund Balances, June 30	\$ 2,719,023	\$ 2,165,526	\$ 2,998,415	\$ 832,889	\$ 2,915,526	\$ 3,469,023	\$ 553,497

## INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one of the County's departments or agencies to other departments or agencies and to the County's various discretely presented component units and joint ventures.

**Vehicle Service Center Fund:** This fund is used to account for all gasoline and maintenance services for County vehicles.

**Mailroom Fund:** This fund is used to account for central mailroom services for the County.

**Employee Benefits Fund:** This fund is used to account for the payment of medical and unemployment claims.

**Employee Retirement Fund:** This fund is used to account for the County's retirement plan contributions.

**Self Insurance Fund:** This fund is used to account for the payment of workers compensation and general liability claims against the County.

**Central Maintenance Fund:** This fund is used to account for all maintenance services for Knox Central buildings.

**Technical Support Service Fund:** This fund accounts for technical support and technical repairs associated with electronic data processing.

**Capital Leasing Fund:** This fund is used for lease/purchase transactions to other departments. The fund also serves as a leasing entity for a fleet of vehicles or other equipment.

KNOX COUNTY, TENNESSEE  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
June 30, 2007

	Vehicle Service Center	Mailroom	Employee Benefits	Employee Retirement	Self Insurance	Central Maintenance	Technical Support Service	Capital Leasing	Total
<b>ASSETS</b>									
<b>Current Assets:</b>									
Cash and Cash Equivalents	-	\$ 122,500	\$ 2,151,263	\$ 754,828	\$ 11,583,057	\$ 479,801	\$ 317,721	\$ 2,156,733	\$ 17,565,903
Receivables:									
Accounts	95,330	1,468	384,538	-	-	-	85	-	481,421
Due from Other Funds	485,169	24,455	28,496	-	-	-	1,445	-	539,565
Due from Component Units	2,625	-	2,310	-	-	-	340	-	5,275
Notes Receivable	-	-	-	-	32,594	-	-	-	32,594
Inventories	125,808	20,919	-	-	-	-	-	-	146,727
Prepaid Items	2,995	-	-	-	-	-	-	-	2,995
<b>TOTAL CURRENT ASSETS</b>	<b>711,927</b>	<b>169,342</b>	<b>2,566,607</b>	<b>754,828</b>	<b>11,615,651</b>	<b>479,801</b>	<b>319,591</b>	<b>2,156,733</b>	<b>18,774,480</b>
<b>Capital Assets:</b>									
Machinery and Equipment	124,568	21,090	-	51,815	33,352	72,217	101,277	11,057,455	11,461,774
Accumulated Depreciation	(103,779)	(21,090)	-	(51,815)	(25,649)	(54,728)	(98,679)	(9,298,351)	(9,654,091)
Capital Assets (Net of Accumulated Depreciation)	20,789	-	-	-	7,703	17,489	2,598	1,759,104	1,807,683
<b>TOTAL ASSETS</b>	<b>732,716</b>	<b>169,342</b>	<b>2,566,607</b>	<b>754,828</b>	<b>11,623,354</b>	<b>497,290</b>	<b>322,189</b>	<b>3,915,837</b>	<b>20,582,163</b>
<b>LIABILITIES</b>									
<b>Current liabilities:</b>									
Accounts Payable and Accrued Liabilities	84,279	1,846	1,846,048	341,299	357,470	-	12,501	-	2,643,443
Due to Other Funds	556,961	-	238	157,712	3,315	-	671	-	718,897
Due to Component Units	-	-	179,404	134,516	-	-	-	-	313,920
Deferred Revenue	-	-	10,883	-	-	-	-	-	10,883
Self Insured Claims Liability	-	-	-	-	6,741,760	-	-	-	6,741,760
Compensated Absences Payable	74,859	-	-	33,893	13,963	-	-	-	122,715
Advances from Other Funds	-	-	175,000	-	-	-	-	-	175,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>716,099</b>	<b>1,846</b>	<b>2,211,573</b>	<b>667,420</b>	<b>7,116,508</b>	<b>-</b>	<b>13,172</b>	<b>-</b>	<b>10,726,618</b>
<b>Noncurrent Liabilities:</b>									
Compensated Absences Payable	8,318	-	-	3,766	1,551	-	-	-	13,635
<b>TOTAL LIABILITIES</b>	<b>724,417</b>	<b>1,846</b>	<b>2,211,573</b>	<b>671,186</b>	<b>7,118,059</b>	<b>-</b>	<b>13,172</b>	<b>-</b>	<b>10,740,253</b>
<b>NET ASSETS</b>									
Invested in Capital Assets	20,789	-	-	-	7,703	17,489	2,598	1,759,104	1,807,683
Unrestricted	(12,490)	167,496	355,034	83,642	4,497,592	479,801	306,419	2,156,733	8,034,227
<b>TOTAL NET ASSETS</b>	<b>\$ 8,299</b>	<b>\$ 167,496</b>	<b>\$ 355,034</b>	<b>\$ 83,642</b>	<b>\$ 4,505,295</b>	<b>\$ 497,290</b>	<b>\$ 309,017</b>	<b>\$ 3,915,837</b>	<b>\$ 9,841,910</b>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2007**

	<b>Vehicle Service Center</b>	<b>Mailroom</b>	<b>Employee Benefits</b>	<b>Employee Retirement</b>	<b>Self Insurance</b>	<b>Central Maintenance</b>	<b>Technical Support Service</b>	<b>Capital Leasing</b>	<b>Total</b>
<b>Operating Revenues</b>									
Charges for Services	\$ 3,076,479	\$ 296,816	\$ 37,044,655	\$ 9,000	\$ 4,281,274	\$ 8,136,577	\$ 415,879	\$ -	\$ 53,260,680
<b>Operating Expenses</b>									
Cost of Sales and Services	2,064,416	248,382	-	-	-	-	-	5,640	2,318,438
General and Administration	1,082,863	-	78,438	1,754,831	390,686	8,111,277	374,804	-	11,792,899
Depreciation and Amortization	10,399	-	-	-	3,555	6,766	11,695	1,210,410	1,242,825
Medical Claims	-	-	17,725,351	-	-	-	-	-	17,725,351
Retirement Contributions	-	-	18,662,990	-	-	-	-	-	18,662,990
Other Employee Benefits	-	-	526,215	-	-	-	-	-	526,215
Worker's Compensation Claims	-	-	-	-	1,327,508	-	-	-	1,327,508
Other Expenses	242,252	-	-	99,700	1,102,713	-	300	-	1,444,965
Total Operating Expenses	3,399,930	248,382	36,992,994	1,854,531	2,824,462	8,118,043	386,799	1,216,050	55,041,191
<b>Operating Gain (Loss)</b>	(323,451)	48,434	51,661	(1,845,531)	1,456,812	18,534	29,080	(1,216,050)	(1,780,511)
<b>Nonoperating Revenues (Expenses)</b>									
Payments from Component Units	-	-	-	927,181	-	-	-	-	927,181
Donations	-	-	-	5,750	-	-	-	-	5,750
Subrogation Payments	-	-	-	-	13,644	-	-	11,401	25,045
Loss on Disposal of Capital Assets	-	-	-	-	-	-	-	(2,957)	(2,957)
Gain on Disposal of Capital Assets	-	-	-	-	-	-	-	9,395	9,395
Total Nonoperating Revenues	-	-	-	932,931	13,644	-	-	17,839	964,414
<b>Gain (Loss) before Transfers</b>	(323,451)	48,434	51,661	(912,600)	1,470,456	18,534	29,080	(1,198,211)	(816,097)
<b>Transfers</b>									
Transfers from Other Funds	300,000	-	-	927,180	-	-	-	1,000,000	2,227,180
<b>Change in Net Assets</b>	(23,451)	48,434	51,661	14,580	1,470,456	18,534	29,080	(198,211)	1,411,083
<b>Total Net Assets, July 1</b>	31,750	119,062	303,373	69,062	3,034,839	478,756	279,937	4,114,048	8,430,827
<b>Total Net Assets, June 30</b>	\$ 8,299	\$ 167,496	\$ 355,034	\$ 83,642	\$ 4,505,295	\$ 497,290	\$ 309,017	\$ 3,915,837	\$ 9,841,910

KNOX COUNTY, TENNESSEE

Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2007

	Vehicle Service Center	Mailroom	Employee Benefits	Employee Retirement	Self Insurance	Central Maintenance	Technical Support Service	Capital Leasing	Total
<b>Operating Activities</b>									
Cash Received from Interfund Services Provided	\$ 2,507,604	\$ 271,306	\$ 36,737,258	\$ 124,000	\$ 4,281,274	\$ 8,136,577	\$ 414,009	\$ -	\$ 52,472,028
Cash Paid to Employees	(806,189)	-	-	(340,496)	(273,836)	-	-	-	(1,420,521)
Cash Paid for Goods and Services	(1,883,041)	(250,296)	(78,438)	(945,680)	(2,918,017)	(8,111,277)	(365,065)	(219,595)	(14,771,409)
Cash Paid on Behalf of Employees	(207,400)	-	(36,201,039)	(83,440)	(62,707)	-	-	-	(36,554,586)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(389,026)</b>	<b>21,010</b>	<b>457,781</b>	<b>(1,245,616)</b>	<b>1,026,714</b>	<b>25,300</b>	<b>48,944</b>	<b>(219,595)</b>	<b>(274,488)</b>
<b>Noncapital Financing Activities</b>									
Subrogation Payments	-	-	-	-	15,784	-	-	11,401	27,185
Transfers from Other Funds	300,000	-	-	927,180	-	-	-	1,000,000	2,227,180
Advances from Other Funds	-	-	50,000	-	-	-	-	-	50,000
Payments from Component Units	-	-	-	927,181	-	-	-	-	927,181
Donations	-	-	-	5,750	-	-	-	-	5,750
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>300,000</b>	<b>-</b>	<b>50,000</b>	<b>1,860,111</b>	<b>15,784</b>	<b>-</b>	<b>-</b>	<b>1,011,401</b>	<b>3,237,296</b>
<b>Capital and Related Financing Activities</b>									
Proceeds from Insurance Recovery on Capital Assets	-	-	-	-	-	-	-	35,153	35,153
<b>Net Increase (Decrease) in Cash and Cash Equivalents/Investments</b>	<b>(89,026)</b>	<b>21,010</b>	<b>507,781</b>	<b>614,495</b>	<b>1,042,498</b>	<b>25,300</b>	<b>48,944</b>	<b>826,959</b>	<b>2,997,961</b>
<b>Cash and Cash Equivalents/Investments Beginning of Year</b>	<b>89,026</b>	<b>101,490</b>	<b>1,643,482</b>	<b>140,333</b>	<b>10,540,559</b>	<b>454,501</b>	<b>268,777</b>	<b>1,329,774</b>	<b>14,567,942</b>
<b>End of Year</b>	<b>\$ -</b>	<b>\$ 122,500</b>	<b>\$ 2,151,263</b>	<b>\$ 754,828</b>	<b>\$ 11,583,057</b>	<b>\$ 479,801</b>	<b>\$ 317,721</b>	<b>\$ 2,156,733</b>	<b>\$ 17,565,903</b>
<b>Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities</b>									
Operating Gain (Loss)	\$ (323,451)	\$ 48,434	\$ 51,661	\$ (1,845,531)	\$ 1,456,812	\$ 18,534	\$ 29,080	\$ (1,216,050)	\$ (1,780,511)
Adjustments to Reconcile Operating Gain (Loss) to Net Cash Used in Operating Activities:									
Depreciation and Amortization	10,399	-	-	-	3,555	6,766	11,695	1,210,410	1,242,825
Change in Assets and Liabilities									
(Increase) Decrease in Accounts Receivable	(81,081)	(1,054)	(264,055)	115,000	-	-	(85)	-	(231,275)
Increase in Due from Other Funds	(485,169)	(24,455)	(28,496)	-	-	-	(1,445)	-	(539,565)
Increase in Due from Component Units	(2,625)	-	(2,310)	-	-	-	(340)	-	(5,275)
Increase in Inventories	(31,411)	(289)	-	-	-	-	-	-	(31,700)
Decrease in Prepaid Items	1	-	-	-	-	-	-	-	1
Increase (Decrease) in Accounts Payable and Accrued Liabilities	2,391	(1,626)	533,874	182,802	160,295	-	9,859	(213,955)	673,640
Increase in Due to Other Funds	512,721	-	238	157,186	2,266	-	180	-	672,591
Increase in Due to Component Units	-	-	179,404	134,516	-	-	-	-	313,920
Increase in Compensated Absences	9,199	-	-	10,411	2,536	-	-	-	22,146
Decrease in Self-insurance Liability	-	-	-	-	(598,750)	-	-	-	(598,750)
Decrease in Deferred Revenues	-	-	(12,535)	-	-	-	-	-	(12,535)
Total Adjustments	(65,575)	(27,424)	406,120	599,915	(430,098)	6,766	19,864	996,455	1,506,023
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (389,026)</b>	<b>\$ 21,010</b>	<b>\$ 457,781</b>	<b>\$ (1,245,616)</b>	<b>\$ 1,026,714</b>	<b>\$ 25,300</b>	<b>\$ 48,944</b>	<b>\$ (219,595)</b>	<b>\$ (274,488)</b>

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**KNOX COUNTY, TENNESSEE**

**Vehicle Service Center Fund**  
**Comparative Statements of Net Assets**  
June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ -	\$ 89,026
Accounts Receivable	95,330	14,249
Due from Other Funds	485,169	-
Due from Component Units	2,625	-
Inventories	125,808	94,397
Prepaid Items	<u>2,995</u>	<u>2,996</u>
<b>TOTAL CURRENT ASSETS</b>	<u>711,927</u>	<u>200,668</u>
<b>Capital Assets:</b>		
Machinery and Equipment	124,568	124,568
Accumulated Depreciation	<u>(103,779)</u>	<u>(93,380)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>20,789</u>	<u>31,188</u>
<b>TOTAL ASSETS</b>	<u>732,716</u>	<u>231,856</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	84,279	81,888
Due to Other Funds	556,961	44,240
Compensated Absences	<u>74,859</u>	<u>66,580</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>716,099</u>	<u>192,708</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	<u>8,318</u>	<u>7,398</u>
<b>TOTAL LIABILITIES</b>	<u>724,417</u>	<u>200,106</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	20,789	31,188
Unrestricted	<u>(12,490)</u>	<u>562</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 8,299</u>	<u>\$ 31,750</u>

**KNOX COUNTY, TENNESSEE**

**Vehicle Service Center Fund  
Comparative Schedules of Revenues, Expenses  
and Changes in Net Assets - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2007 and June 30, 2006**

	2007				2006			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ 3,540,678	\$ 3,540,678	\$ 3,076,479	\$ (464,199)	\$ 2,795,772	\$ 3,000,000	\$ 3,027,491	\$ 27,491
<b>Operating Expenses</b>								
Costs of Sales and Services	2,250,000	2,201,550	2,064,416	137,134	1,530,058	2,096,419	2,088,276	8,143
General and Administrative	1,035,278	1,083,728	1,082,863	865	1,007,212	944,776	942,120	2,656
Depreciation and Amortization	13,200	13,200	10,399	2,801	14,693	13,693	13,087	606
Other Expenses	242,200	242,200	242,252	(52)	243,809	193,510	193,461	49
Total Operating Expenses	3,540,678	3,540,678	3,399,930	140,748	2,795,772	3,248,398	3,236,944	11,454
Operating Loss	-	-	(323,451)	(323,451)	-	(248,398)	(209,453)	38,945
<b>Transfers</b>								
Transfers from Other Funds	-	-	300,000	300,000	-	200,000	200,000	-
Change in Net Assets	-	-	(23,451)	(23,451)	-	(48,398)	(9,453)	38,945
Net Assets, July 1	31,750	31,750	31,750	-	41,203	41,203	41,203	-
Net Assets, June 30	\$ 31,750	\$ 31,750	\$ 8,299	\$ (23,451)	\$ 41,203	\$ (7,195)	\$ 31,750	\$ 38,945

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**KNOX COUNTY, TENNESSEE**

**Mailroom Fund**  
**Comparative Statements of Net Assets**  
June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 122,500	\$ 101,490
Accounts Receivable	1,468	414
Due from Other Funds	24,455	-
Inventories	<u>20,919</u>	<u>20,630</u>
<b>TOTAL CURRENT ASSETS</b>	<u>169,342</u>	<u>122,534</u>
Machinery and Equipment	21,090	21,090
Accumulated Depreciation	<u>(21,090)</u>	<u>(21,090)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>169,342</u>	<u>122,534</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	<u>1,846</u>	<u>3,472</u>
<b>NET ASSETS</b>		
Unrestricted	<u>\$ 167,496</u>	<u>\$ 119,062</u>



**KNOX COUNTY, TENNESSEE**

**Mailroom Fund**  
**Comparative Schedules of Revenues, Expenses**  
**and Changes in Net Assets - Budget And Actual (GAAP Basis)**  
 For the years ended June 30, 2007 and June 30, 2006

	2007				2006			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ 350,000	\$ 350,000	\$ 296,816	\$ (53,184)	\$ 350,000	\$ 350,000	\$ 287,388	\$ (62,612)
<b>Operating Expenses</b>								
Costs of Sales and Services	350,000	350,000	248,382	101,618	350,000	350,000	242,047	107,953
Total Operating Expenses	350,000	350,000	248,382	101,618	350,000	350,000	242,047	107,953
Change in Net Assets	-	-	48,434	48,434	-	-	45,341	45,341
Net Assets, July 1	119,062	119,062	119,062	-	73,721	73,721	73,721	-
Net Assets, June 30	\$ 119,062	\$ 119,062	\$ 167,496	\$ 48,434	\$ 73,721	\$ 73,721	\$ 119,062	\$ 45,341

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**KNOX COUNTY, TENNESSEE**

**Employee Benefits Fund**  
**Comparative Statements of Net Assets**  
June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 2,151,263	\$ 1,643,482
Accounts Receivable	384,538	120,483
Due from Other Funds	28,496	-
Due from Component Units	<u>2,310</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>2,566,607</u>	<u>1,763,965</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	1,846,048	1,312,174
Due to Other Funds	238	-
Deferred Revenue	10,883	23,418
Due to Component Units	179,404	-
Advances from Other Funds	<u>175,000</u>	<u>125,000</u>
<b>TOTAL LIABILITIES</b>	<u>2,211,573</u>	<u>1,460,592</u>
<b>NET ASSETS</b>		
Unrestricted	<u>\$ 355,034</u>	<u>\$ 303,373</u>

**KNOX COUNTY, TENNESSEE**

**Employee Benefits Fund  
Comparative Schedules of Revenues, Expenses  
and Changes in Net Assets - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2007 and June 30, 2006**

	2007				2006			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ 41,500,000	\$ 41,500,000	\$ 37,044,655	\$ (4,455,345)	\$ 37,500,000	\$ 37,500,000	\$ 34,826,401	\$ (2,673,599)
<b>Operating Expenses</b>								
Finance and Administration:								
General and Administrative	435,000	435,000	78,438	356,562	186,323	186,323	147,699	38,624
Medical Claims	19,673,000	19,673,000	17,725,351	1,947,649	17,199,093	17,084,093	16,633,924	450,169
Retirement Contributions	20,533,000	20,533,000	18,662,990	1,870,010	19,476,800	19,476,800	17,627,917	1,848,883
Other Employee Benefits	859,000	859,000	526,215	332,785	637,784	752,784	447,272	305,512
Total Operating Expenses	41,500,000	41,500,000	36,992,994	4,507,006	37,500,000	37,500,000	34,856,812	2,643,188
Change in Net Assets	-	-	51,661	51,661	-	-	(30,411)	(30,411)
Net Assets, July 1	303,373	303,373	303,373	-	333,784	333,784	333,784	-
Net Assets, June 30	\$ 303,373	\$ 303,373	\$ 355,034	\$ 51,661	\$ 333,784	\$ 333,784	\$ 303,373	\$ (30,411)

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**KNOX COUNTY, TENNESSEE**

**Employee Retirement Fund**  
**Comparative Statements of Net Assets**  
June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 754,828	\$ 140,333
Accounts Receivable	-	115,000
	<u>754,828</u>	<u>255,333</u>
<b>TOTAL CURRENT ASSETS</b>		
<b>Capital Assets:</b>		
Machinery and Equipment	51,815	51,815
Accumulated Depreciation	(51,815)	(51,815)
	<u>-</u>	<u>-</u>
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<u>754,828</u>	<u>255,333</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	341,299	158,497
Due to Other Funds	157,712	526
Due to Component Units	134,516	-
Compensated Absences	33,893	24,523
	<u>667,420</u>	<u>183,546</u>
<b>TOTAL CURRENT LIABILITIES</b>		
<b>Noncurrent Liabilities:</b>		
Compensated Absences	3,766	2,725
	<u>671,186</u>	<u>186,271</u>
<b>TOTAL LIABILITIES</b>		
<b>NET ASSETS</b>		
Unrestricted	<u>\$ 83,642</u>	<u>\$ 69,062</u>

**KNOX COUNTY, TENNESSEE**

**Employee Retirement Fund  
Comparative Schedules of Revenues, Expenses  
and Changes in Net Assets - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2007 and June 30, 2006**

	2007				2006			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ 9,000	\$ 9,000	\$ 9,000	\$ -	\$ 9,000	\$ 9,000	\$ 9,277	\$ 277
<b>Operating Expenses</b>								
General and Administrative	915,796	1,786,956	1,754,831	32,125	1,236,400	1,191,342	1,047,625	143,717
Other Expenses	141,704	131,000	99,700	31,300	130,500	175,558	97,256	78,302
Total Operating Expenses	1,057,500	1,917,956	1,854,531	63,425	1,366,900	1,366,900	1,144,881	222,019
Operating Loss	(1,048,500)	(1,908,956)	(1,845,531)	63,425	(1,357,900)	(1,357,900)	(1,135,604)	222,296
<b>Nonoperating Revenues</b>								
Payments from Component Units	-	-	927,181	927,181	-	-	553,136	553,136
Donations	-	2,000	5,750	3,750	-	-	2,250	2,250
Total Nonoperating Revenues (Expenses)	-	2,000	932,931	930,931	-	-	555,386	555,386
Loss before Transfers	(1,048,500)	(1,906,956)	(912,600)	994,356	(1,357,900)	(1,357,900)	(580,218)	777,682
<b>Transfers</b>								
Transfers from Other Funds	1,048,500	1,905,964	927,180	(978,784)	1,357,900	1,357,900	574,737	(783,163)
Change in Net Assets	-	(992)	14,580	15,572	-	-	(5,481)	(5,481)
Net Assets, July 1	69,062	69,062	69,062	-	74,543	74,543	74,543	-
Net Assets, June 30	\$ 69,062	\$ 68,070	\$ 83,642	\$ 15,572	\$ 74,543	\$ 74,543	\$ 69,062	\$ (5,481)

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**KNOX COUNTY, TENNESSEE**

**Self Insurance Fund**  
**Comparative Statements of Net Assets**  
June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 11,583,057	\$ 10,540,559
Accounts Receivable	-	11,867
Notes Receivable	<u>32,594</u>	<u>22,867</u>
<b>TOTAL CURRENT ASSETS</b>	<u>11,615,651</u>	<u>10,575,293</u>
<b>Capital Assets:</b>		
Machinery and Equipment	33,352	33,352
Accumulated Depreciation	<u>(25,649)</u>	<u>(22,094)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>7,703</u>	<u>11,258</u>
<b>TOTAL ASSETS</b>	<u>11,623,354</u>	<u>10,586,551</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	357,470	197,175
Due to Other Funds	3,315	1,049
Self Insured Claims Liability	6,741,760	7,340,510
Compensated Absences	<u>13,963</u>	<u>11,680</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>7,116,508</u>	<u>7,550,414</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	<u>1,551</u>	<u>1,298</u>
<b>TOTAL LIABILITIES</b>	<u>7,118,059</u>	<u>7,551,712</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	7,703	11,258
Unrestricted	<u>4,497,592</u>	<u>3,023,581</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 4,505,295</u>	<u>\$ 3,034,839</u>

**KNOX COUNTY, TENNESSEE**

**Self Insurance Fund  
Comparative Schedules of Revenues, Expenses  
and Changes in Net Assets - Budget And Actual (GAAP Basis)  
For the years ended June 30, 2007 and June 30, 2006**

	2007				2006			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ 4,200,000	\$ 4,200,000	\$ 4,281,274	\$ 81,274	\$ 3,900,000	\$ 3,900,000	\$ 4,528,974	\$ 628,974
<b>Operating Expenses</b>								
General and Administrative	528,181	563,706	390,686	173,020	483,618	518,618	395,048	123,570
Depreciation and Amortization	3,556	3,556	3,555	1	4,202	4,202	3,555	647
Workers' Compensation Claims	1,850,000	2,100,000	1,327,508	772,492	1,473,567	1,504,647	1,504,647	-
Other Claims	1,918,263	1,668,263	1,102,713	565,550	2,038,613	1,972,533	864,651	1,107,882
Total Operating Expenses	4,300,000	4,335,525	2,824,462	1,511,063	4,000,000	4,000,000	2,767,901	1,232,099
Operating Gain	(100,000)	(135,525)	1,456,812	1,592,337	(100,000)	(100,000)	1,761,073	1,861,073
<b>Nonoperating Revenues</b>								
Subrogations	100,000	100,000	13,644	(86,356)	100,000	100,000	30,348	(69,652)
Change in Net Assets	-	(35,525)	1,470,456	1,505,981	-	-	1,791,421	1,791,421
Net Assets, July 1	3,034,839	3,034,839	3,034,839	-	1,243,418	1,243,418	1,243,418	-
Net Assets, June 30	\$ 3,034,839	\$ 2,999,314	\$ 4,505,295	\$ 1,505,981	\$ 1,243,418	\$ 1,243,418	\$ 3,034,839	\$ 1,791,421

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**KNOX COUNTY, TENNESSEE**

**Central Maintenance Fund**  
**Comparative Statements of Net Assets**  
June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 479,801	\$ 454,501
<b>Capital Assets:</b>		
Machinery and Equipment	72,217	72,217
Accumulated Depreciation	<u>(54,728)</u>	<u>(47,962)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>17,489</u>	<u>24,255</u>
<b>TOTAL ASSETS</b>	<u>497,290</u>	<u>478,756</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	17,489	24,255
Unrestricted	<u>479,801</u>	<u>454,501</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 497,290</u>	<u>\$ 478,756</u>



**KNOX COUNTY, TENNESSEE**

**Central Maintenance Fund  
Comparative Schedules of Revenues, Expenses  
and Changes in Net Assets - Budget And Actual (GAAP Basis)**

For the years ended June 30, 2007 and June 30, 2006

	2007				2006			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ 8,136,577	\$ 8,136,577	\$ 8,136,577	\$ -	\$ 8,129,564	\$ 7,253,733	\$ (875,831)	
<b>Operating Expenses</b>								
General and Administrative	4,460,818	8,129,577	8,111,277	18,300	4,110,377	3,798,065	312,312	
Depreciation and Amortization	7,000	7,000	6,766	234	7,000	6,765	235	
Other Expenses	3,668,759	-	-	-	4,011,887	3,370,328	641,559	
Total Operating Expenses	8,136,577	8,136,577	8,118,043	18,534	8,129,264	7,175,158	954,106	
Change in Net Assets	-	-	18,534	18,534	300	78,575	78,275	
Net Assets, July 1	478,756	478,756	478,756	-	400,181	400,181	-	
Net Assets, June 30	\$ 478,756	\$ 478,756	\$ 497,290	\$ 18,534	\$ 400,481	\$ 478,756	\$ 78,275	

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**KNOX COUNTY, TENNESSEE**

**Technical Support Service Fund**  
**Comparative Statements of Net Assets**  
June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 317,721	\$ 268,777
Accounts Receivable	85	-
Due from Other Funds	1,445	-
Due from Component Units	<u>340</u>	<u>-</u>
<b>TOTAL CURRENT ASSETS</b>	<u>319,591</u>	<u>268,777</u>
<b>Capital Assets:</b>		
Machinery and Equipment	101,277	101,277
Accumulated Depreciation	<u>(98,679)</u>	<u>(86,984)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>2,598</u>	<u>14,293</u>
<b>TOTAL ASSETS</b>	<u>322,189</u>	<u>283,070</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	12,501	2,642
Due to Other Funds	<u>671</u>	<u>491</u>
<b>TOTAL LIABILITIES</b>	<u>13,172</u>	<u>3,133</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	2,598	14,293
Unrestricted	<u>306,419</u>	<u>265,644</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 309,017</u>	<u>\$ 279,937</u>

KNOX COUNTY, TENNESSEE

Technical Support Service Fund  
 Comparative Schedules of Revenues, Expenses  
 and Changes in Net Assets - Budget And Actual (GAAP Basis)

For the years ended June 30, 2007 and June 30, 2006

	2007				2006			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ 395,000	\$ 395,000	\$ 415,879	\$ 20,879	\$ 390,500	\$ 390,500	\$ 397,491	\$ 6,991
<b>Operating Expenses</b>								
General and Administrative	417,000	485,467	374,804	110,663	371,484	425,289	422,589	2,700
Depreciation and Amortization	14,233	14,233	11,695	2,538	24,411	24,411	13,554	10,857
Other Expense	68,767	300	300	-	54,105	300	300	-
Total Operating Expenses	500,000	500,000	386,799	113,201	450,000	450,000	436,443	13,557
Change in Net Assets	(105,000)	(105,000)	29,080	134,080	(59,500)	(59,500)	(38,952)	20,548
Net Assets, July 1	279,937	279,937	279,937	-	318,889	318,889	318,889	-
Net Assets, June 30	\$ 174,937	\$ 174,937	\$ 309,017	\$ 134,080	\$ 259,389	\$ 259,389	\$ 279,937	\$ 20,548

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**KNOX COUNTY, TENNESSEE**

**Capital Leasing Fund**  
**Comparative Statements of Net Assets**  
June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 2,156,733	\$ 1,329,774
<b>Capital Assets:</b>		
Machinery and Equipment	11,057,455	11,130,933
Accumulated Depreciation	<u>(9,298,351)</u>	<u>(8,132,704)</u>
Capital Assets (Net of Accumulated Depreciation)	<u>1,759,104</u>	<u>2,998,229</u>
<b>TOTAL ASSETS</b>	<u>3,915,837</u>	<u>4,328,003</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	<u>-</u>	<u>213,955</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	1,759,104	2,998,229
Unrestricted	<u>2,156,733</u>	<u>1,115,819</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 3,915,837</u>	<u>\$ 4,114,048</u>

**KNOX COUNTY, TENNESSEE**

**Capital Leasing Fund  
Comparative Schedules of Revenues, Expenses  
and Changes in Net Assets - Budget And Actual (GAAP Basis)**

For the years ended June 30, 2007 and June 30, 2006

	2007				2006			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>								
Charges for Sales and Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Operating Expenses</b>								
Costs of Sales and Services	1,000,000	1,000,639	5,640	994,999	1,050,000	1,239,387	132,746	1,106,641
Depreciation and Amortization	1,400,000	1,400,000	1,210,410	189,590	1,400,000	1,300,121	1,172,986	127,135
Total Operating Expenses	2,400,000	2,400,639	1,216,050	1,184,589	2,450,000	2,539,508	1,305,732	1,233,776
Operating Loss	(2,400,000)	(2,400,639)	(1,216,050)	1,184,589	(2,450,000)	(2,539,508)	(1,305,732)	1,233,776
<b>Nonoperating Revenues (Expenses)</b>								
Subrogation Payment	-	-	11,401	11,401	-	-	7,233	7,233
Miscellaneous Revenue	-	-	-	-	-	-	300	300
Loss on Disposal of Capital Asset	-	-	(2,957)	(2,957)	-	(2,528)	(2,528)	-
Gain on Disposal of Capital Asset	-	-	9,395	9,395	-	-	6,250	6,250
Total Nonoperating Revenues (Expenses)	-	-	17,839	17,839	-	(2,528)	11,255	13,783
Loss before Transfers	(2,400,000)	(2,400,639)	(1,198,211)	1,202,428	(2,450,000)	(2,542,036)	(1,294,477)	1,247,559
<b>Transfers</b>								
Transfers From Other Funds	1,000,000	1,000,000	1,000,000	-	2,450,000	2,450,000	1,450,000	(1,000,000)
Change in Net Assets	(1,400,000)	(1,400,639)	(198,211)	1,202,428	-	(92,036)	155,523	247,559
Net Assets, July 1	4,114,048	4,114,048	4,114,048	-	3,958,525	3,958,525	3,958,525	-
Net Assets, June 30	\$ 2,714,048	\$ 2,713,409	\$ 3,915,837	\$ 1,202,428	\$ 3,958,525	\$ 3,866,489	\$ 4,114,048	\$ 247,559

## FIDUCIARY FUNDS

Trust funds are used to account for assets held by the County in a trustee capacity. Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments and/or other funds.

### PENSION TRUST FUNDS

**Pension Trust Fund Defined Benefit:** This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the County's defined benefit plan.

**Pension Trust Fund Defined Contribution:** This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the County's defined contribution (asset accumulation) plan.

**Pension Trust Fund Medical Retirement Defined Contribution:** This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the County's defined contribution (asset accumulation) plan. This plan assists employees in planning and investing for anticipated medical expenses upon retirement.

**Pension Trust Fund Uniformed Officers:** This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the County's Uniformed Officers Pension Plan.

### AGENCY FUNDS

**Municipal Sales Tax Fund:** This fund accounts for the local sales tax levied by local municipalities. These funds are collected by the State of Tennessee and remitted to the County for distribution to the municipalities.

**Juvenile Court Fund:** This fund accounts for the receipt and disposition of funds held on behalf of juvenile defendants.

**Subdivision Bonds:** This fund accounts for the receipt and distribution of funds held by the County from subdivision developers pending completion of road and hydrology requirements.

**External Agencies Fund:** This fund accounts for the cash of several external agencies and County joint ventures held by the County Trustee on their behalf.

**Constitutional Officers:** The various elected officials use this fund to account for the receipt and disbursement of funds on behalf of state agencies and/or other funds.

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**KNOX COUNTY, TENNESSEE****Combining Statement of Fiduciary Net Assets  
Pension Trust Funds  
June 30, 2007**

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	Defined Benefit Plan	Defined Contribution Plan	Medical Retirement Plan	Uniformed Officers Plan	Total
<b>ASSETS</b>					
Receivables:					
Contributions	\$ 18,932	\$ -	\$ -	\$ -	\$ 18,932
Due from Other Funds	156,123	-	-	-	156,123
Due from Other Plan	239,243	-	-	-	239,243
Investments	81,822,901	223,378,115	6,168,954	-	311,369,970
Deferred Expense	-	-	-	478,486	478,486
<b>TOTAL ASSETS</b>	<b>82,237,199</b>	<b>223,378,115</b>	<b>6,168,954</b>	<b>478,486</b>	<b>312,262,754</b>
<b>LIABILITIES</b>					
Accounts Payable and Accrued Liabilities	36,471	-	-	478,486	514,957
<b>NET ASSETS</b>					
Held in Trust for: Pension Benefits	<u>\$ 82,200,728</u>	<u>\$ 223,378,115</u>	<u>\$ 6,168,954</u>	<u>\$ -</u>	<u>\$ 311,747,797</u>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Changes in Fiduciary Net Assets  
Pension Trust Funds  
For the year ended June 30, 2007**

	Defined Benefit Plan	Defined Contribution Plan	Medical Retirement Plan	Total
<b>Additions</b>				
Contributions:				
Employer	\$ 360,065	\$ 8,471,392	\$ 82,503	\$ 8,913,960
Employees	112,138	9,780,580	357,555	10,250,273
Transfers from Other Plans	-	87,886	-	87,886
<b>Total Contributions</b>	<b>472,203</b>	<b>18,339,858</b>	<b>440,058</b>	<b>19,252,119</b>
Investment Earnings:				
Interest and Dividend Income	1,932,576	-	-	1,932,576
Net Appreciation in Fair Value of Investments	9,527,765	28,166,588	439,812	38,134,165
Total Investment Earnings	11,460,341	28,166,588	439,812	40,066,741
Less Investment Expenses	(221,586)	-	-	(221,586)
Net Investment Earnings	11,238,755	28,166,588	439,812	39,845,155
<b>Total Additions</b>	<b>11,710,958</b>	<b>46,506,446</b>	<b>879,870</b>	<b>59,097,274</b>
<b>Deductions</b>				
Benefits and Refunds	6,293,590	11,313,066	486,093	18,092,749
Transfers to Other Funds	927,180	-	-	927,180
Transfers to Other Plans	248,109	-	-	248,109
<b>Total Deductions</b>	<b>7,468,879</b>	<b>11,313,066</b>	<b>486,093</b>	<b>19,268,038</b>
<b>Change in Net Assets</b>	<b>4,242,079</b>	<b>35,193,380</b>	<b>393,777</b>	<b>39,829,236</b>
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	<b>77,958,649</b>	<b>188,184,735</b>	<b>5,775,177</b>	<b>271,918,561</b>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	<b>\$ 82,200,728</b>	<b>\$ 223,378,115</b>	<b>\$ 6,168,954</b>	<b>\$ 311,747,797</b>



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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Fiduciary Net Assets**  
**Pension Trust Fund - Defined Benefit Plan**  
June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Receivables:		
Contributions	\$ 18,932	\$ 27,964
Due from other funds	156,123	-
Due from Other Plan	239,243	-
Investments	<u>81,822,901</u>	<u>78,037,879</u>
 TOTAL ASSETS	 <u>82,237,199</u>	 <u>78,065,843</u>
 <b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	<u>36,471</u>	<u>107,194</u>
 <b>NET ASSETS</b>		
Held in Trust For:		
Pension Benefits	<u><u>\$ 82,200,728</u></u>	<u><u>\$ 77,958,649</u></u>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Changes in Fiduciary Net Assets**

**Pension Trust Fund - Defined Benefit Plan**

For the years ended June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>Additions</b>		
Contributions:		
Employees	\$ 112,138	\$ 391,481
Employer	360,065	-
Total Contributions	<u>472,203</u>	<u>391,481</u>
Investment Earnings:		
Interest and Dividend Income	1,932,576	1,848,708
Net Appreciation in Fair Value of Investments	9,527,765	6,481,870
Total Investment Earnings	11,460,341	8,330,578
Less Investment Expenses	<u>(221,586)</u>	<u>(206,035)</u>
Net Investment Earnings	<u>11,238,755</u>	<u>8,124,543</u>
Total Additions	<u>11,710,958</u>	<u>8,516,024</u>
<b>Deductions</b>		
Benefits and Refunds	6,293,590	6,465,843
Transfers to Other Funds	927,180	574,737
Transfers to Other Plans	248,109	206,202
Total Deductions	<u>7,468,879</u>	<u>7,246,782</u>
<b>Change in Net Assets</b>	4,242,079	1,269,242
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	<u>77,958,649</u>	<u>76,689,407</u>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	<u>\$ 82,200,728</u>	<u>\$ 77,958,649</u>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Fiduciary Net Assets  
Pension Trust Fund - Defined Contribution Plan**

June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Investments, at Fair Value:		
Mutual Funds	<u>\$ 223,378,115</u>	<u>\$ 188,184,735</u>
<b>NET ASSETS</b>		
Held in Trust For:		
Pension Benefits	<u><u>\$ 223,378,115</u></u>	<u><u>\$ 188,184,735</u></u>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Changes in Fiduciary Net Assets**  
**Pension Trust Fund - Defined Contribution Plan**  
For the years ended June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>Additions</b>		
Contributions:		
Employer	\$ 8,471,392	\$ 7,725,983
Employees	9,780,580	8,882,090
Transfers from Other Plans	<u>87,886</u>	<u>88,427</u>
Total Contributions	18,339,858	16,696,500
Investment Earnings:		
Net Appreciation in Fair Value of Investments	<u>28,166,588</u>	<u>14,280,653</u>
Total Additions	<u>46,506,446</u>	<u>30,977,153</u>
<b>Deductions</b>		
Benefits and Refunds	<u>11,313,066</u>	<u>8,921,956</u>
<b>Change in Net Assets</b>	35,193,380	22,055,197
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>	<u>188,184,735</u>	<u>166,129,538</u>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	<u><u>\$ 223,378,115</u></u>	<u><u>\$ 188,184,735</u></u>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Fiduciary Net Assets**  
**Pension Trust Fund - Medical Retirement Defined Contribution Plan**  
June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Investments, at Fair Value:		
Mutual Funds	<u>\$ 6,168,954</u>	<u>\$ 5,775,177</u>
<b>TOTAL ASSETS</b>	<u>6,168,954</u>	<u>5,775,177</u>
<b>NET ASSETS</b>		
Held in Trust For:		
Pension Benefits	<u>\$ 6,168,954</u>	<u>\$ 5,775,177</u>

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**KNOX COUNTY, TENNESSEE**

**Comparative Statements of Changes in Fiduciary Net Assets  
Pension Trust Fund - Medical Retirement Defined Contribution Plan**

For the years ended June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>Additions</b>		
Contributions:		
Employees	\$ 357,555	\$ 336,370
Employer	82,503	78,498
	<u>440,058</u>	<u>414,868</u>
Total Contributions		
Investment Earnings:		
Net Appreciation in Fair Value of Investments	439,812	237,344
	<u>879,870</u>	<u>652,212</u>
Total Additions		
<b>Deductions</b>		
Benefits and Refunds	486,093	352,434
	<u>393,777</u>	<u>299,778</u>
<b>Change in Net Assets</b>		
	5,775,177	5,475,399
<b>Total Net Assets Held in Trust for Pension Benefits, July 1</b>		
	<u>5,775,177</u>	<u>5,475,399</u>
<b>Total Net Assets Held in Trust for Pension Benefits, June 30</b>	<u>\$ 6,168,954</u>	<u>\$ 5,775,177</u>

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**KNOX COUNTY, TENNESSEE**

**Statement of Fiduciary Net Assets**  
**Pension Trust Fund - Uniformed Officers Pension Plan**  
June 30, 2007

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	<u>2007</u>
<b>ASSETS</b>	
Deferred Expense	\$ 478,486
<b>LIABILITIES</b>	
Accounts Payable	<u>478,486</u>
<b>NET ASSETS</b>	
Held in Trust For:	
Pension Benefits	<u><u>\$ -</u></u>

**KNOX COUNTY, TENNESSEE**

**Combining Statement of Fiduciary Assets and Liabilities**

**Agency Funds**

June 30, 2007

(With comparative totals for June 30, 2006)

	Municipal Sales Tax	Juvenile Court	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
						2007	2006
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 3,342,933	\$ 121,072	\$ 67,446	\$ 1,675,319	\$ 18,695,278	\$ 23,902,048	\$ 22,716,355
Receivables:							
Accounts	6,689,338	-	-	-	67,254	6,756,592	6,263,157
<b>TOTAL ASSETS</b>	<u>\$ 10,032,271</u>	<u>\$ 121,072</u>	<u>\$ 67,446</u>	<u>\$ 1,675,319</u>	<u>\$ 18,762,532</u>	<u>\$ 30,658,640</u>	<u>\$ 28,979,512</u>
<b>LIABILITIES</b>							
Accounts Payable and Accrued Liabilities	\$ 10,032,271	\$ -	\$ 67,446	\$ 1,675,319	\$ -	\$ 11,775,036	\$ 8,281,112
Due to Other Governments	-	-	-	-	3,661,987	3,661,987	3,783,132
Due to Litigants, Heirs and Others	-	121,072	-	-	15,100,545	15,221,617	16,915,268
<b>TOTAL LIABILITIES</b>	<u>\$ 10,032,271</u>	<u>\$ 121,072</u>	<u>\$ 67,446</u>	<u>\$ 1,675,319</u>	<u>\$ 18,762,532</u>	<u>\$ 30,658,640</u>	<u>\$ 28,979,512</u>



**KNOX COUNTY, TENNESSEE**

**Combining Statement of Changes in Fiduciary Assets and Liabilities  
Agency Funds**

For the year ended June 30, 2007

(With comparative totals for the year ended June 30, 2006)

	Municipal Sales Tax	Juvenile Court	Subdivision Bonds	External Agencies	Constitutional Officers	Totals	
						2007	2006
Assets and Liabilities, July 1	\$ 6,179,648	\$ 105,834	\$ 38,446	\$ 1,957,184	\$ 20,698,400	\$ 28,979,512	\$ 29,357,872
Additions	39,274,070	121,072	39,000	6,822,080	106,963,841	153,220,063	140,750,717
Deductions	(35,421,447)	(105,834)	(10,000)	(7,103,945)	(108,899,709)	(151,540,935)	(141,129,077)
Assets and Liabilities, June 30	\$ 10,032,271	\$ 121,072	\$ 67,446	\$ 1,675,319	\$ 18,762,532	\$ 30,658,640	\$ 28,979,512

**KNOX COUNTY, TENNESSEE**

**Trustee, Clerks, Register and Sheriff  
Combined Schedule of Assets and Liabilities  
June 30, 2007**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Sheriff	Total
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 113,476,049	\$ 2,789,128	\$ 5,523,969	\$ 4,269,018	\$ 6,326,127	\$ 2,449,913	\$ 54,084	\$ 134,888,288
Investments	32,227,182	-	-	-	-	-	-	32,227,182
Accounts Receivable	-	-	67,254	-	-	-	-	67,254
<b>Total Assets</b>	<b>\$ 145,703,231</b>	<b>\$ 2,789,128</b>	<b>\$ 5,591,223</b>	<b>\$ 4,269,018</b>	<b>\$ 6,326,127</b>	<b>\$ 2,449,913</b>	<b>\$ 54,084</b>	<b>\$ 167,182,724</b>
<b>LIABILITIES</b>								
Due to Other Governments	\$ -	\$ 1,572,711	\$ 330	\$ 488,617	\$ -	\$ 1,600,329	\$ -	\$ 3,661,987
Due to Litigants, Heirs and Others	1,251,838	-	5,132,105	2,779,714	5,803,227	79,577	54,084	15,100,545
Fee and Commission Account	570,283	1,216,417	458,788	1,000,687	522,900	770,007	-	4,539,082
Amounts Held in Custody for								
Other County Funds:								
General Fund	33,893,727	-	-	-	-	-	-	33,893,727
Special Revenue Funds	11,603,931	-	-	-	-	-	-	11,603,931
Debt Service Fund	28,725,464	-	-	-	-	-	-	28,725,464
Capital Projects Fund - Component Units	37,615,559	-	-	-	-	-	-	37,615,559
Capital Projects Fund - Public Improvement	592,138	-	-	-	-	-	-	592,138
Capital Projects Fund - ADA Construction	3,197,234	-	-	-	-	-	-	3,197,234
Internal Service Funds	16,223,510	-	-	-	-	-	-	16,223,510
Fiduciary Funds/Other	12,029,547	-	-	-	-	-	-	12,029,547
<b>Total Liabilities</b>	<b>\$ 145,703,231</b>	<b>\$ 2,789,128</b>	<b>\$ 5,591,223</b>	<b>\$ 4,269,018</b>	<b>\$ 6,326,127</b>	<b>\$ 2,449,913</b>	<b>\$ 54,084</b>	<b>\$ 167,182,724</b>

**KNOX COUNTY, TENNESSEE**

**Trustee, Clerks, Register and Sheriff**  
**Combined Schedule of Cash Receipts, Disbursements and Balances**  
 For the Year Ended June 30, 2007

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Sheriff	Total
<b>Receipts</b>								
Fund Accounts	\$ 286,705,723	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 286,705,723
Litigants, Heirs and Others	74,371,552	-	10,330,703	2,262,746	4,365,814	1,226,540	1,639,335	94,196,690
State of Tennessee	-	29,609,574	347,145	1,769,678	86,131	17,484,377	-	49,296,905
Knox County	-	29,627,014	1,637,352	4,625,286	153,381	-	-	36,043,033
Fees and Commissions	6,503,892	5,928,609	1,432,985	4,098,288	1,192,439	3,774,628	-	22,930,841
Cities - Clerk Collections	-	-	-	546,927	-	-	-	546,927
<b>Total Receipts</b>	<b>367,581,167</b>	<b>65,165,197</b>	<b>13,748,185</b>	<b>13,302,925</b>	<b>5,797,765</b>	<b>22,485,545</b>	<b>1,639,335</b>	<b>489,720,119</b>
<b>Disbursements</b>	<b>(370,330,659)</b>	<b>(64,760,268)</b>	<b>(15,608,263)</b>	<b>(13,206,935)</b>	<b>(5,948,749)</b>	<b>(22,427,696)</b>	<b>(1,646,267)</b>	<b>(493,928,837)</b>
<b>Excess (Deficiency) of Receipts Over (Under) Disbursements</b>	<b>(2,749,492)</b>	<b>404,929</b>	<b>(1,860,078)</b>	<b>95,990</b>	<b>(150,984)</b>	<b>57,849</b>	<b>(6,932)</b>	<b>(4,208,718)</b>
<b>Balances, July 1, 2006</b>	<b>148,452,723</b>	<b>2,384,199</b>	<b>7,451,301</b>	<b>4,173,028</b>	<b>6,477,111</b>	<b>2,392,064</b>	<b>61,016</b>	<b>171,391,442</b>
<b>Balances, June 30, 2007</b>	<b>\$ 145,703,231</b>	<b>\$ 2,789,128</b>	<b>\$ 5,591,223</b>	<b>\$ 4,269,018</b>	<b>\$ 6,326,127</b>	<b>\$ 2,449,913</b>	<b>\$ 54,084</b>	<b>\$ 167,182,724</b>

**KNOX COUNTY, TENNESSEE**

**Trustee, Clerks, and Register  
Combined Analysis of Fee and Commission Accounts  
For the Year Ended June 30, 2007**

	Trustee	County Clerk	Circuit and General Sessions Court Clerk	Criminal and Fourth Circuit Court Clerk	Clerk and Master	Register of Deeds	Total
<b>Revenues</b>							
Fees and Commissions	\$ 6,503,048	\$ 5,892,267	\$ 1,287,709	\$ 4,098,288	\$ 1,192,439	\$ 3,772,198	\$ 22,745,949
Interest Earned	844	37,065	145,276	-	-	2,430	185,615
<b>Total Revenues</b>	<b>6,503,892</b>	<b>5,929,332</b>	<b>1,432,985</b>	<b>4,098,288</b>	<b>1,192,439</b>	<b>3,774,628</b>	<b>22,931,564</b>
<b>Expenditures</b>							
Salaries-Staff	2,040,115	3,599,382	883,558	2,818,799	689,641	1,432,407	11,463,902
Payroll Taxes/Benefits	481,531	1,082,690	292,685	1,055,811	210,291	347,093	3,470,101
County Official/Administrative Officer	97,069	93,761	66,712	99,626	91,962	97,582	546,712
Travel	81,800	113,025	6,833	-	-	9,100	210,758
Office Supplies/Expenditures	444,809	-	-	-	19,537	2,335	466,681
Consulting Fees	-	920	5,000	-	-	-	5,920
<b>Total Expenditures</b>	<b>3,145,324</b>	<b>4,889,778</b>	<b>1,254,788</b>	<b>3,974,236</b>	<b>1,011,431</b>	<b>1,888,517</b>	<b>16,164,074</b>
<b>Other (Sources) Uses</b>							
Fees and Commissions to County (General Fund)	3,300,577	600,000	116,000	100,000	77,850	1,818,098	6,012,525
<b>Total Expenditures and Other Uses</b>	<b>6,445,901</b>	<b>5,489,778</b>	<b>1,370,788</b>	<b>4,074,236</b>	<b>1,089,281</b>	<b>3,706,615</b>	<b>22,176,599</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>57,991</b>	<b>439,554</b>	<b>62,197</b>	<b>24,052</b>	<b>103,158</b>	<b>68,013</b>	<b>754,965</b>
Balances, July 1, 2006	512,292	776,863	396,591	976,635	419,742	701,994	3,784,117
Balances, June 30, 2007	\$ 570,283	\$ 1,216,417	\$ 458,788	\$ 1,000,687	\$ 522,900	\$ 770,007	\$ 4,539,082

**KNOX COUNTY, TENNESSEE**

**Schedule of Debt Service Requirements**

**General Bonded Debt**

June 30, 2007

Fiscal Year Ending	\$8,350,000 Women's Basketball Hall of Fame		\$25,000,000 General Obligation Series 2000		\$39,467,607 General Obligation Refunding Series 2001		\$50,000,000 General Obligation Public Improvement Series 2001		\$2,597,104 Andrew Johnson GO Refunding Series 2002		\$31,200,221 General Obligation Refunding Series 2002A		\$31,361,297 General Obligation Refunding Bonds Series 2003	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 415,000	\$ 296,750	\$ 1,044,230	\$ 53,255	\$ 4,413,710	\$ 990,669	\$ 2,156,250	\$ 629,179	\$ 297,888	\$ 53,568	\$ 11,408	\$ 1,558,967	\$ 1,800,761	\$ 1,217,625
2009	440,000	276,000	-	-	4,610,449	789,146	2,237,500	510,585	306,448	41,653	11,408	1,558,482	1,886,511	1,136,590
2010	460,000	254,000	-	-	4,850,775	555,871	2,321,875	393,117	320,144	28,629	2,645,234	1,617,615	1,972,261	1,046,981
2011	485,000	231,000	-	-	5,092,738	309,720	2,415,625	271,219	333,840	15,023	2,753,367	1,498,340	2,063,209	953,299
2012	505,000	206,750	-	-	594,887	29,744	2,515,625	138,359	-	-	2,867,488	1,374,268	5,433,464	855,296
2013	535,000	181,500	-	-	-	-	-	-	-	-	3,748,390	1,168,784	5,695,912	583,623
2014	560,000	154,750	-	-	-	-	-	-	-	-	3,626,100	977,704	5,976,550	298,827
2015	590,000	126,750	-	-	-	-	-	-	-	-	7,280,815	700,601	-	-
2016	615,000	97,250	-	-	-	-	-	-	-	-	1,573,077	332,976	-	-
2017	650,000	66,500	-	-	-	-	-	-	-	-	1,648,077	258,255	-	-
2018	680,000	34,000	-	-	-	-	-	-	-	-	1,730,770	179,970	-	-
2019	-	-	-	-	-	-	-	-	-	-	1,823,079	93,432	-	-
2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 5,935,000</b>	<b>\$ 1,925,250</b>	<b>\$ 1,044,230</b>	<b>\$ 53,255</b>	<b>\$ 19,562,559</b>	<b>\$ 2,675,150</b>	<b>\$ 11,646,875</b>	<b>\$ 1,942,459</b>	<b>\$ 1,258,320</b>	<b>\$ 138,873</b>	<b>\$ 29,719,213</b>	<b>\$ 11,319,394</b>	<b>\$ 24,828,668</b>	<b>\$ 6,092,241</b>

*continued*

**KNOX COUNTY, TENNESSEE**

**Schedule of Debt Service Requirements**

**General Bonded Debt (Continued)**

June 30, 2007

Fiscal Year Ending	\$5,321,983 General Obligation Refunding Bonds Series 2003A		\$40,000,000 General Obligation Series 2003		\$14,337,717 General Obligation Refunding Series 2004		\$46,000,000 General Obligation Series 2004		\$29,083,377 General Obligation Refunding Series 2005A		\$50,000,000 General Obligation Series 2005		\$50,450,000 General Obligation Series 2007		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ -	\$ 248,940	\$ 914,100	\$ 1,727,665	\$ 1,292,677	\$ 652,552	\$ 262,857	\$ 1,824,229	\$ -	\$ 1,440,412	\$ 633,116	\$ 2,472,403	\$ -	\$ 2,340,319	\$ 13,241,997	\$ 15,506,533
2009	-	248,940	955,700	1,703,341	1,359,074	588,394	328,571	1,813,714	1,096,514	1,440,412	714,286	2,440,747	-	2,522,500	13,946,461	15,070,504
2010	-	248,940	760,217	1,677,769	-	520,940	394,286	1,800,571	-	1,376,231	795,455	2,405,032	-	2,522,500	14,520,247	14,448,196
2011	-	248,939	815,150	1,648,455	-	520,940	460,000	1,784,800	-	1,376,231	876,623	2,365,260	-	2,522,500	15,295,552	13,745,726
2012	-	248,939	1,214,400	1,616,022	-	520,940	525,714	1,766,400	-	1,376,231	957,792	2,321,429	-	2,522,500	14,614,370	12,976,878
2013	-	248,939	1,278,367	1,564,255	-	520,940	591,429	1,745,371	2,626,750	1,376,231	1,038,961	2,273,539	-	2,522,500	15,514,809	12,185,682
2014	-	248,939	1,345,117	1,509,368	-	520,940	657,143	1,721,714	2,724,489	1,255,719	1,120,130	2,221,591	-	2,522,500	16,009,529	11,432,052
2015	-	248,939	1,420,750	1,451,364	-	520,940	1,314,286	1,695,429	2,837,499	1,120,226	1,201,299	2,165,584	-	2,522,500	14,644,649	10,552,333
2016	3,163,596	248,939	1,499,183	1,389,617	1,888,180	520,940	1,971,429	1,642,857	2,931,640	978,996	1,298,701	2,105,519	-	2,522,500	14,940,806	9,839,594
2017	1,815,180	90,759	1,577,600	1,324,128	2,074,923	422,540	2,102,857	1,564,000	3,069,085	834,511	1,363,636	2,040,584	-	2,522,500	14,301,358	9,123,777
2018	-	-	1,665,617	1,254,896	2,122,646	319,557	2,234,286	1,479,886	3,209,585	683,049	1,461,039	1,972,403	-	2,522,500	13,103,943	8,446,261
2019	-	-	1,752,933	1,181,299	2,240,917	214,205	2,365,714	1,390,514	3,362,301	524,457	1,542,208	1,899,351	-	2,522,500	13,087,152	7,825,758
2020	-	-	1,843,733	1,103,336	2,074,923	102,983	2,503,714	1,295,886	3,524,181	358,113	1,623,377	1,822,240	-	2,522,500	11,569,928	7,205,058
2021	-	-	1,953,000	1,021,007	-	-	2,648,286	1,195,737	3,701,333	183,552	1,704,545	1,741,071	-	2,522,500	10,007,164	6,663,867
2022	-	-	2,064,367	933,064	-	-	2,799,429	1,089,806	-	-	698,052	1,655,844	-	2,522,500	5,561,848	6,201,214
2023	-	-	1,978,567	839,508	-	-	2,957,143	977,829	-	-	649,351	1,620,942	-	2,522,500	5,585,061	5,960,779
2024	-	-	2,097,367	740,339	-	-	3,128,000	859,543	-	-	681,818	1,588,474	-	2,522,500	5,907,185	5,710,856
2025	-	-	2,225,050	634,933	-	-	3,298,857	734,423	-	-	714,286	1,554,383	-	2,522,500	6,238,193	5,446,239
2026	-	-	2,353,433	522,666	-	-	3,482,857	602,469	-	-	746,753	1,518,669	-	2,522,500	6,583,043	5,166,304
2027	-	-	2,489,317	403,538	-	-	3,666,857	463,154	-	-	762,987	1,481,331	4,734,257	2,522,500	11,653,418	4,870,523
2028	-	-	2,487,500	276,925	-	-	3,857,429	316,480	-	-	795,455	1,443,182	5,611,649	2,285,787	12,752,033	4,322,374
2029	-	-	2,638,332	142,829	-	-	4,054,570	162,183	-	-	827,922	1,403,409	5,904,112	2,005,205	13,424,936	3,713,626
2030	-	-	-	-	-	-	-	-	-	-	5,032,468	1,362,013	6,178,297	1,709,999	11,210,765	3,072,012
2031	-	-	-	-	-	-	-	-	-	-	5,227,273	1,110,390	6,507,319	1,401,084	11,734,592	2,511,474
2032	-	-	-	-	-	-	-	-	-	-	5,438,312	849,026	6,818,062	1,075,718	12,256,374	1,924,744
2033	-	-	-	-	-	-	-	-	-	-	5,649,351	577,110	7,165,362	734,815	12,814,713	1,311,925
2034	-	-	-	-	-	-	-	-	-	-	5,892,857	294,643	7,530,942	376,547	13,423,799	671,190
<b>Totals</b>	<b>\$ 4,978,776</b>	<b>\$ 2,331,213</b>	<b>\$ 37,329,800</b>	<b>\$ 24,666,324</b>	<b>\$ 13,053,340</b>	<b>\$ 5,946,811</b>	<b>\$ 45,605,714</b>	<b>\$ 27,926,995</b>	<b>\$ 29,083,377</b>	<b>\$ 14,324,371</b>	<b>\$ 49,448,053</b>	<b>\$ 46,706,169</b>	<b>\$ 50,450,000</b>	<b>\$ 59,856,974</b>	<b>\$ 323,943,925</b>	<b>\$ 205,905,479</b>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Schedule of Debt Service Requirements  
General Bonded Debt  
June 30, 2007**

Fiscal Year Ending June 30,	\$15,750,000 General Obligation Pension Bonds, Series 1998		\$40,000,000 General Obligation Series 2000		\$2,585,603 Qualified Zone Academy		\$17,277,393 Refunding Bonds Series 2001		\$30,000,000 GO Public Improvement Series 2001		\$4,987,896 AJ Refunding Bonds Series 2001		\$51,799,779 Refunding Bonds Series 2002A		\$28,983,703 Refunding Bonds Series 2003	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 705,000	\$ 44,944	\$ 1,670,770	\$ 85,210	\$ 215,467	\$ -	\$ 2,331,290	\$ 562,856	\$ 1,293,750	\$ 377,508	\$ 572,112	\$ 102,882	\$ 18,592	\$ 2,540,771	\$ 1,664,239	\$ 1,125,313
2009	-	-	-	-	215,467	-	2,439,551	460,854	1,342,500	306,353	588,552	79,997	18,592	2,539,981	1,743,489	1,050,422
2010	-	-	-	-	215,467	-	2,569,225	341,629	1,393,125	235,870	614,856	54,984	4,054,766	2,479,573	1,822,739	967,606
2011	-	-	-	-	215,467	-	2,707,262	216,780	1,449,375	162,731	641,160	28,852	4,221,633	2,297,348	1,906,791	881,026
2012	-	-	-	-	215,467	-	1,355,114	67,756	1,509,375	83,017	-	-	4,397,512	2,107,544	5,021,536	790,454
2013	-	-	-	-	-	-	-	-	-	-	-	-	6,136,610	1,913,454	5,264,088	539,377
2014	-	-	-	-	-	-	-	-	-	-	-	-	5,788,900	1,560,859	5,523,450	276,173
2015	-	-	-	-	-	-	-	-	-	-	-	-	13,719,185	1,320,137	-	-
2016	-	-	-	-	-	-	-	-	-	-	-	-	2,516,923	532,760	-	-
2017	-	-	-	-	-	-	-	-	-	-	-	-	2,636,923	413,208	-	-
2018	-	-	-	-	-	-	-	-	-	-	-	-	2,769,230	287,954	-	-
2019	-	-	-	-	-	-	-	-	-	-	-	-	2,916,921	149,492	-	-
2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 705,000</b>	<b>\$ 44,944</b>	<b>\$ 1,670,770</b>	<b>\$ 85,210</b>	<b>\$ 1,077,335</b>	<b>\$ -</b>	<b>\$ 11,402,442</b>	<b>\$ 1,649,875</b>	<b>\$ 6,988,125</b>	<b>\$ 1,165,479</b>	<b>\$ 2,416,680</b>	<b>\$ 266,715</b>	<b>\$ 49,195,787</b>	<b>\$ 18,143,081</b>	<b>\$ 22,946,332</b>	<b>\$ 5,630,371</b>

*continued*

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
 Knox County Board of Education  
 Schedule of Debt Service Requirements  
 General Bonded Debt (Continued)  
 June 30, 2007

Fiscal Year Ending June 30,	\$12,123,017 Refunding Bonds Series 2003A		\$32,000,000 G.O. Bonds Series 2003		\$20,212,283 Refunding Bonds Series 2004		\$24,000,000 G.O. Bonds Series 2004		\$18,526,623 Refunding Bonds Series 2005A		\$11,150,000 Refunding Bonds Series 2005B		\$27,000,000 General Obligation Series 2005		\$18,550,000 General Obligation Series 2007		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ -	\$ 567,060	\$ 60,900	\$ 1,388,585	\$ 1,822,323	\$ 931,573	\$ 137,143	\$ 951,771	\$ -	\$ 882,428	\$ 110,000	\$ 514,380	\$ 341,884	\$ 1,335,097	\$ -	\$ 860,514	\$ 10,943,470	\$ 12,270,892
2009	-	567,060	69,300	1,369,034	1,915,926	839,981	171,429	946,286	1,803,486	882,428	870,000	509,782	385,714	1,318,003	-	927,500	11,564,006	11,797,681
2010	-	567,060	414,783	1,348,481	-	743,685	205,714	939,429	-	843,109	905,000	472,459	429,545	1,298,718	-	927,500	12,625,220	11,220,103
2011	-	567,061	484,850	1,324,920	-	743,685	240,000	931,200	-	843,109	945,000	432,458	473,377	1,277,240	-	927,500	13,284,915	10,633,910
2012	-	567,061	860,600	1,298,853	-	743,685	274,286	921,600	-	843,109	995,000	389,744	517,208	1,253,571	-	927,500	15,146,098	9,993,894
2013	-	567,061	921,633	1,257,245	-	743,685	308,571	910,629	1,583,250	843,109	1,040,000	344,173	561,039	1,227,711	-	927,500	15,815,191	9,273,944
2014	-	567,061	979,883	1,213,132	-	743,685	342,857	898,286	1,645,511	769,281	1,095,000	296,229	604,870	1,199,659	-	927,500	15,980,471	8,451,865
2015	-	567,061	1,054,250	1,166,511	-	743,685	685,714	884,571	1,717,501	686,274	1,150,000	243,998	648,701	1,169,416	-	927,500	18,975,351	7,709,153
2016	7,206,404	567,061	1,125,817	1,116,883	2,661,820	743,685	1,028,571	857,143	1,728,360	599,754	1,210,000	188,798	701,299	1,136,981	-	927,500	18,179,194	6,670,565
2017	4,134,820	206,741	1,197,400	1,064,247	2,925,077	603,210	1,097,143	816,000	1,815,915	511,239	1,275,000	130,113	736,364	1,101,916	-	927,500	15,818,642	5,774,174
2018	-	-	1,284,383	1,008,604	2,992,354	456,193	1,165,714	772,114	1,905,415	418,451	1,340,000	67,000	788,961	1,065,097	-	927,500	12,246,057	5,002,913
2019	-	-	1,372,067	949,451	3,159,083	305,795	1,234,286	725,486	2,002,699	321,293	-	-	832,792	1,025,649	-	927,500	11,517,848	4,404,666
2020	-	-	1,456,267	886,789	2,925,077	147,017	1,306,286	676,114	2,105,819	219,387	-	-	876,623	984,010	-	927,500	8,670,072	3,840,817
2021	-	-	1,572,000	820,618	-	-	1,381,714	623,863	2,218,667	112,448	-	-	920,455	940,179	-	927,500	6,092,836	3,424,608
2022	-	-	1,685,633	749,936	-	-	1,460,571	568,594	-	-	-	-	376,948	894,156	-	927,500	3,523,152	3,140,186
2023	-	-	1,996,433	674,742	-	-	1,542,857	510,171	-	-	-	-	350,649	875,308	-	927,500	3,889,939	2,987,721
2024	-	-	2,127,633	595,036	-	-	1,632,000	448,457	-	-	-	-	368,182	857,776	-	927,500	4,127,815	2,828,769
2025	-	-	2,274,950	510,317	-	-	1,721,143	383,177	-	-	-	-	385,714	839,367	-	927,500	4,381,807	2,660,361
2026	-	-	2,421,567	420,084	-	-	1,817,143	314,331	-	-	-	-	403,247	820,081	-	927,500	4,641,957	2,481,996
2027	-	-	2,585,683	324,337	-	-	1,913,143	241,646	-	-	-	-	412,013	799,919	1,740,743	927,500	6,651,582	2,293,402
2028	-	-	2,887,500	222,575	-	-	2,012,571	165,120	-	-	-	-	429,545	779,318	2,063,351	840,463	7,392,967	2,007,476
2029	-	-	3,086,668	114,796	-	-	2,115,430	84,617	-	-	-	-	447,078	757,841	2,170,888	737,295	7,820,064	1,694,549
2030	-	-	-	-	-	-	-	-	-	-	-	-	2,717,532	735,487	2,271,703	628,751	4,989,235	1,364,238
2031	-	-	-	-	-	-	-	-	-	-	-	-	2,822,727	599,610	2,392,681	515,166	5,215,408	1,114,776
2032	-	-	-	-	-	-	-	-	-	-	-	-	2,936,688	458,474	2,506,938	395,532	5,443,626	854,006
2033	-	-	-	-	-	-	-	-	-	-	-	-	3,050,649	311,640	2,634,638	270,185	5,685,287	581,825
2034	-	-	-	-	-	-	-	-	-	-	-	-	3,182,143	159,107	2,769,058	138,453	5,951,201	297,560
Totals	\$ 11,341,224	\$ 5,310,287	\$ 31,920,200	\$ 19,825,176	\$ 18,401,660	\$ 8,489,564	\$ 23,794,286	\$ 14,570,605	\$ 18,526,623	\$ 8,775,419	\$ 10,935,000	\$ 3,589,134	\$ 26,701,947	\$ 25,221,331	\$ 18,550,000	\$ 22,008,859	\$ 256,573,411	\$ 134,776,050



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**KNOX COUNTY, TENNESSEE**

***Schedule of Salaries and Bonds of Principal Elected Officials***  
*For the year ended June 30, 2007*

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OFFICIAL	AUTHORIZATION FOR SALARY	SALARY PAID DURING YEAR	BOND AMOUNT	SURETY
Assessor of Property	Section 8-24-102 (k), T.C.A.	\$ 114,951	\$ 10,000	Hartford Fire Insurance
Attorney General	Section 8-6-104, T.C.A.	\$ 5,500	\$ -	
Circuit and Civil Sessions Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 105,966	\$ 300,000	Hartford Fire Insurance
County Clerk *	Section 8-24-102 (k), T.C.A.	\$ 90,572	\$ 60,000	Hartford Fire Insurance
County Mayor	Section 8-24-102, T.C.A.	\$ 160,881	\$ 50,000	Hartford Fire Insurance
Criminal and Fourth Circuit Court Clerk	Section 8-24-102 (k), T.C.A.	\$ 99,626	\$ 250,000	Hartford Fire Insurance
Law Director	Section 3.08, Knox County Charter	\$ 160,016	\$ -	
Register of Deeds *	Section 8-24-102 (k), T.C.A.	\$ 90,584	\$ 100,000	Hartford Fire Insurance
Sheriff *	Section 8-24-102 (j), T.C.A.	\$ 110,713	\$ 25,000	Hartford Fire Insurance
Trustee *	Section 8-24-102 (k), T.C.A.	\$ 97,069	\$ 15,701,108	Hartford Fire Insurance

\* The salaries for these Officials have been estimated for the year as the Knox County Commissioners appointed these Officials into office as of January 31, 2007.

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**KNOX COUNTY, TENNESSEE**

**Capital Assets Used in the Operation of Governmental Funds  
Comparative Schedules by Source<sup>1</sup>  
June 30, 2007 and 2006  
(In Thousands of Dollars)**

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	<u>2007</u>	<u>2006</u>
Governmental Funds Capital Assets:		
Land	\$ 94,600	\$ 92,279
Buildings	197,645	191,250
Improvements Other than Buildings	19,252	18,963
Machinery and Equipment	23,277	21,744
Intangibles	19,360	17,504
Infrastructure	484,106	477,497
Construction in Progress	41,765	30,849
Total Governmental Funds Capital Assets	<u>\$ 880,005</u>	<u>\$ 850,086</u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 5,552	\$ 5,311
Special Revenue Funds	6,517	6,283
Capital Projects Funds	867,936	838,492
Total Governmental Funds Capital Assets	<u>\$ 880,005</u>	<u>\$ 850,086</u>

<sup>1</sup>This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**KNOX COUNTY, TENNESSEE**

**Capital Assets Used in the Operation of Governmental Funds**

**Schedule by Function and Activity<sup>1</sup>**

**June 30, 2007**

(In Thousands of Dollars)

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery And Equipment	Intangibles	Infrastructure	Construction In Progress	Total
<b>General Government:</b>								
Finance and Administration	\$ -	\$ 264	\$ 16	\$ 1,761	\$ 7,910	\$ -	\$ -	\$ 9,951
Administration of Justice	3,176	21,936	-	327	10,915	-	-	36,354
Public Safety	366	40,879	12	11,194	469	-	13,266	66,186
Public Health and Welfare	4,186	36,471	651	1,360	-	-	7	42,675
Social and Cultural Services	19,678	67,084	18,573	2,011	66	-	144	107,556
Other General Government	3,446	28,793	-	2,328	-	-	-	34,567
<b>Total General Government</b>	<b>30,852</b>	<b>195,427</b>	<b>19,252</b>	<b>18,981</b>	<b>19,360</b>	<b>-</b>	<b>13,417</b>	<b>297,289</b>
Highways	63,748	2,218	-	4,296	-	484,106	28,348	582,716
<b>Total Governmental Funds Capital Assets</b>	<b>\$ 94,600</b>	<b>\$ 197,645</b>	<b>\$ 19,252</b>	<b>\$ 23,277</b>	<b>\$ 19,360</b>	<b>\$ 484,106</b>	<b>\$ 41,765</b>	<b>\$ 880,005</b>

<sup>1</sup>This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

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**KNOX COUNTY, TENNESSEE**

**Capital Assets Used in the Operation of Governmental Funds  
Schedule of Changes by Function and Activity<sup>1</sup>  
For the Fiscal Year Ended June 30, 2007  
(In Thousands of Dollars)**

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<b>Function and Activity</b>	<b>Governmental Funds Capital Assets July 1, 2006</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets June 30, 2007</b>
General Government:				
Finance and Administration	\$ 8,255	\$ 1,696	\$ -	\$ 9,951
Administration of Justice	36,354	-	-	36,354
Public Safety	56,752	9,434	-	66,186
Public Health and Welfare	45,304	-	2,629	42,675
Social and Cultural Services	100,278	8,168	890	107,556
Other General Government	34,285	282	-	34,567
Total General Government	<u>281,228</u>	<u>19,580</u>	<u>3,519</u>	<u>297,289</u>
Highways	<u>568,858</u>	<u>13,858</u>	<u>-</u>	<u>582,716</u>
Total Governmental Funds Capital Assets	<u>\$ 850,086</u>	<u>\$ 33,438</u>	<u>\$ 3,519</u>	<u>\$ 880,005</u>

<sup>1</sup>This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

## **DISCRETELY PRESENTED COMPONENT UNIT KNOX COUNTY BOARD OF EDUCATION**

This section presents combining and individual fund financial statements for the Knox County Board of Education (the Board), a discretely presented component unit. The Board uses a general fund, a capital projects fund, three special revenue funds, a pension trust fund, and an agency fund. This section also includes the Statement of Net Assets and Statement of Activities for the Board and its discretely presented component unit, the Great Schools Partnership.

### **MAJOR FUNDS**

#### **GENERAL FUND**

**General Purpose School Fund:** This fund is used to account for general operations of the Board. Major funding is provided through local tax levies and state education funds.

### **NONMAJOR GOVERNMENTAL FUNDS**

#### **CAPITAL PROJECTS FUND**

**School Construction Fund:** This fund is used to account for the Schools' building construction and renovations of the Board.

#### **SPECIAL REVENUE FUNDS**

**School Federal Projects Fund:** This fund is used to account for restricted federal revenues that must be expended on specific education programs.

**School General Projects Fund:** This fund is used to account for state, local and federal pass-through revenues which must be expended on specific education programs.

**Central Cafeteria Fund:** This fund is used to account for the cafeteria operations in each of the individual schools. The primary sources of funding are federal and state revenues for the school lunch program and sales to students and adults.

#### **FIDUCIARY FUND**

**Pension Trust Fund:** This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees covered under the Board's defined benefit plan for certificated teachers.

#### **AGENCY FUND**

**School Activity Fund:** This fund accounts for the activity related to individual public school funds held in an agency capacity since these funds legally belong to students.

**Knox County Board of Education**

**Statement of Net Assets**

June 30, 2007

	<b>Primary Government</b>	<b>Component Unit</b>	
	<b>Total -- Governmental Activities</b>	<b>Great Schools Partnership</b>	
<b>Assets</b>			
Cash and Cash Equivalents	\$ 64,371,051	\$ 966,051	\$ 65,337,102
Accounts Receivable	30,071,730	605	30,072,335
Property Taxes Receivable, net	108,067,105	-	108,067,105
Due from Primary Government	38,409,394	-	38,409,394
Inventories	1,114,109	-	1,114,109
Prepaid Items	1,253,274	58,444	1,311,718
Capital Assets:			
Land and Construction in Process	47,001,978	-	47,001,978
Other Capital Assets, Net of Accumulated Depreciation	233,387,990	-	233,387,990
<b>Total Assets</b>	<b>523,676,631</b>	<b>1,025,100</b>	<b>524,701,731</b>
<b>Liabilities</b>			
Accounts Payable	41,920,547	535,840	42,456,387
Due to Knox County Primary Government	86,126	-	86,126
Unearned Revenue	102,536,236	36,500	102,572,736
Accrued Pension Obligation	3,328,038	-	3,328,038
Long-term Obligations:			
Due in Less than One Year	1,519,900	-	1,519,900
Due in More than One Year	168,878	-	168,878
<b>Total Liabilities</b>	<b>149,559,725</b>	<b>572,340</b>	<b>150,132,065</b>
<b>Net Assets</b>			
Invested in Capital Assets	280,389,968	-	280,389,968
Restricted for:			
Capital Projects	14,527,307	-	14,527,307
Other Purposes	2,029,239	20,000	2,049,239
Net Assets - Unrestricted	77,170,392	432,760	77,603,152
	<b>\$ 374,116,906</b>	<b>\$ 452,760</b>	<b>\$ 374,569,666</b>

**Knox County Board of Education**

**Statement of Activities**

For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit The Partnership	Total Reporting Unit
<b>Primary government:</b>							
Governmental activities:							
Education	403,517,806	\$ 13,452,161	\$ 172,111,304	\$ -	\$ (217,954,341)		\$ (217,954,341)
Education - Payment to Primary Government	\$ 22,946,289	-	-	-	(22,946,289)		(22,946,289)
Education - Payment to Component Unit	4,148,122	-	-	-	(4,148,122)		(4,148,122)
<b>Total primary government</b>	<u>\$ 430,612,217</u>	<u>\$ 13,452,161</u>	<u>\$ 172,111,304</u>	<u>\$ -</u>	<u>(245,048,752)</u>		<u>(245,048,752)</u>
<b>Component unit:</b>							
Great Schools Partnership	\$ 5,723,513	\$ -	\$ 884,374	\$ -		\$ (4,839,139)	(4,839,139)
<b>General Revenues:</b>							
Property Taxes					97,724,691	-	97,724,691
Sales Taxes					125,062,455	-	125,062,455
Wheel Taxes					1,459,461	-	1,459,461
Other Local Taxes					1,276,897	-	1,276,897
Interest Income					2,466,088	-	2,466,088
Payments from Knox County					33,322,787	-	33,322,787
Payments from Knox County Board of Education					-	4,148,122	4,148,122
<b>Total General Revenues</b>					<u>261,312,379</u>	<u>4,148,122</u>	<u>265,460,501</u>
Change in Net Assets					16,263,627	(691,017)	15,572,610
Net Assets, July 1					357,853,279	1,143,777	358,997,056
Net Assets, June 30					<u>\$ 374,116,906</u>	<u>\$ 452,760</u>	<u>\$ 374,569,666</u>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit**

**Knox County Board of Education**

**Balance Sheet**

**Governmental Funds**

June 30, 2007

	General Purpose School	School Construction Capital Projects	Nonmajor			Total Governmental Funds
			School Federal Projects	School General Projects	Central Cafeteria	
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 44,296,069	\$ 17,303,461	\$ -	\$ 1,443,396	\$ 1,328,125	\$ 64,371,051
Receivables (Net of Allowance for Uncollectibles):						
Accounts	21,722,770	3,259,185	4,738,505	230,893	120,377	30,071,730
Property Taxes	108,067,105	-	-	-	-	108,067,105
Due from Other Funds	2,343,740	-	378,964	1,084,239	2,026,634	5,833,577
Due from Primary Government	179,404	38,229,990	-	-	-	38,409,394
Inventories	940,382	-	-	-	173,727	1,114,109
Prepaid Items	1,181,935	-	71,339	-	-	1,253,274
<b>TOTAL ASSETS</b>	<b>\$ 178,731,405</b>	<b>\$ 58,792,636</b>	<b>\$ 5,188,808</b>	<b>\$ 2,758,528</b>	<b>\$ 3,648,863</b>	<b>\$ 249,120,240</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts Payable and Accrued Liabilities	\$ 35,673,914	\$ 2,776,154	\$ 3,049,726	\$ 184,337	\$ 236,416	\$ 41,920,547
Due to Other Funds	3,459,416	-	1,960,475	338,653	75,033	5,833,577
Due to Primary Government	79,971	52	5,507	596	-	86,126
Deferred Revenue	107,066,463	-	159,939	218,864	59,366	107,504,632
<b>TOTAL LIABILITIES</b>	<b>146,279,764</b>	<b>2,776,206</b>	<b>5,175,647</b>	<b>742,450</b>	<b>370,815</b>	<b>155,344,882</b>
<b>Fund balances:</b>						
Reserved	6,491,096	10,405,936	221,081	1,743,898	207,719	19,069,730
Unreserved:						
Designated	7,157,777	-	-	-	-	7,157,777
Undesignated	18,802,768	45,610,494	(207,920)	272,180	3,070,329	67,547,851
<b>TOTAL FUND BALANCES</b>	<b>32,451,641</b>	<b>56,016,430</b>	<b>13,161</b>	<b>2,016,078</b>	<b>3,278,048</b>	<b>93,775,358</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 178,731,405</b>	<b>\$ 58,792,636</b>	<b>\$ 5,188,808</b>	<b>\$ 2,758,528</b>	<b>\$ 3,648,863</b>	<b>\$ 249,120,240</b>



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**KNOX COUNTY, TENNESSEE**  
**Discretely Presented Component Unit**  
**Knox County Board of Education**  
**Reconciliation of the Balance Sheet of Governmental Funds to the**  
**Statement of Net Assets**  
June 30, 2007

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Amounts reported for governmental activities in the statement of net assets are different because:

Ending Fund Balance - Governmental Funds	\$ 93,775,358
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	280,389,968
Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were deferred in the fund financial statements but have been recognized under the accrual basis.	4,968,396
Long-term liabilities, consisting of compensated absences (\$1,688,778) and pension obligation (\$3,328,038), are not due and payable in the current period and therefore are not reported in the funds.	<u>(5,016,816)</u>
Net Assets of Governmental Activities	<u><u>\$ 374,116,906</u></u>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit

Knox County Board of Education

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2007

	General Purpose School	School Construction Capital Projects	Nonmajor			Total Governmental Funds
			School Federal Projects	School General Projects	Central Cafeteria	
<b>Revenues</b>						
Local Taxes	\$ 204,289,279	\$ 19,162,665	\$ -	\$ -	\$ -	\$ 223,451,944
Licenses and Permits	1,492,051	-	-	2,418	-	1,494,469
Charges for Current Services	412,543	-	-	87,074	8,720,427	9,220,044
Other Local Revenues	2,414,015	2,466,088	7,673	1,514,347	261,074	6,663,197
State of Tennessee	129,938,324	-	89,114	411,248	241,210	130,679,896
Federal Government	566,069	-	31,368,154	-	10,335,342	42,269,565
Other Governments and Citizen Groups	-	-	-	438,740	-	438,740
Payments from Primary Government	-	10,750,000	-	4,148,000	-	14,898,000
Debt Proceeds Received from Primary Government	-	18,550,000	-	-	-	18,550,000
Total Revenues	339,112,281	50,928,753	31,464,941	6,601,827	19,558,053	447,665,855
<b>Expenditures</b>						
Current:						
Education	329,465,173	-	31,495,274	4,069,401	20,013,968	385,043,816
Capital Outlay	-	35,027,396	-	-	-	35,027,396
Payments to Primary Government	5,646,289	17,300,000	-	-	-	22,946,289
Payment to Component Unit	-	-	-	4,148,122	-	4,148,122
Other Charges	-	286,081	-	-	-	286,081
Total Expenditures	335,111,462	52,613,477	31,495,274	8,217,523	20,013,968	447,451,704
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	4,000,819	(1,684,724)	(30,333)	(1,615,696)	(455,915)	214,151
<b>Other Financing Sources (Uses)</b>						
Transfers from Other Funds	2,937	-	32,895	2,487,985	-	2,523,817
Transfers to Other Funds	(2,520,880)	-	(2,937)	-	-	(2,523,817)
Total Other Financing Sources (Uses)	(2,517,943)	-	29,958	2,487,985	-	-
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	1,482,876	(1,684,724)	(375)	872,289	(455,915)	214,151
<b>Fund Balance, July 1</b>	30,968,765	57,701,154	13,536	1,143,789	3,733,963	93,561,207
<b>Fund Balance, June 30</b>	\$ 32,451,641	\$ 56,016,430	\$ 13,161	\$ 2,016,078	\$ 3,278,048	\$ 93,775,358

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit  
Knox County Board of Education**

**Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities**

For the Year Ended June 30, 2007

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Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds \$ 214,151

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$24,965,388) exceeded depreciation (\$8,188,034) in the current period. 16,777,354

Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were recognized as revenues in the statement of activities but were not reported as revenues in the fund financial statements. 4,968,396

Amounts reported as fund revenues that met the criteria for revenue recognition under the full accrual method of accounting in the preceding fiscal year have been excluded from the current year statement of activities. (5,633,194)

Expenses reported in the statement of activities include the increase in the liability for compensated absences (\$91,448). In addition, the decrease in net pension obligation results in the reduction of expenses totaling \$28,368. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (63,080)

Change in Net Assets of Governmental Activities \$ 16,263,627

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KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
General Fund - General Purpose School  
Comparative Balance Sheets  
June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 44,296,069	\$ 37,311,516
Receivables (Net of Allowance for Uncollectibles):		
Accounts	21,722,770	20,687,268
Property Taxes	108,067,105	104,673,813
Due from Other Funds	2,343,740	4,181,168
Due from Primary Government	179,404	-
Prepaid Items	1,181,935	1,042,428
Inventories	940,382	1,126,027
<b>TOTAL ASSETS</b>	<u>178,731,405</u>	<u>169,022,220</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	35,673,914	33,570,812
Due to Other Funds	3,459,416	885,437
Due to Primary Government	79,971	48,385
Deferred Revenue	107,066,463	103,548,821
<b>TOTAL LIABILITIES</b>	<u>146,279,764</u>	<u>138,053,455</u>
 <b>Fund Balances:</b>		
Reserved	6,491,096	4,595,586
Unreserved:		
Designated	7,157,777	5,802,032
Undesignated	18,802,768	20,571,147
<b>TOTAL FUND BALANCES</b>	<u>32,451,641</u>	<u>30,968,765</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 178,731,405</u>	<u>\$ 169,022,220</u>

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KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
General Fund - General Purpose School  
Comparative Statements of Revenues, Expenditures  
and Changes in Fund Balances  
For the years ended June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Local Taxes	\$ 204,289,279	\$ 196,647,429
Licenses and Permits	1,492,051	1,530,087
Charges for Current Services	412,543	727,266
Other Local Revenues	2,414,015	1,401,942
State of Tennessee	129,938,324	127,785,836
Federal Government	<u>566,069</u>	<u>753,385</u>
Total Revenues	<u>339,112,281</u>	<u>328,845,945</u>
<b>Expenditures</b>		
Current:		
Education:	329,465,173	313,178,078
Payments to Primary Government	<u>5,646,289</u>	<u>4,467,124</u>
Total Expenditures	<u>335,111,462</u>	<u>317,645,202</u>
Excess of Revenues Over Expenditures	<u>4,000,819</u>	<u>11,200,743</u>
<b>Other Financing Sources (Uses)</b>		
Transfers From Other Funds	2,937	4,506
Transfers To Other Funds	<u>(2,520,880)</u>	<u>(762,140)</u>
Total Other Financing Uses	<u>(2,517,943)</u>	<u>(757,634)</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,482,876	10,443,109
Fund Balances, July 1	<u>30,968,765</u>	<u>20,525,656</u>
Fund Balances, June 30	<u>\$ 32,451,641</u>	<u>\$ 30,968,765</u>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
General Fund - General Purpose School  
Comparative Schedules of Revenues, Expenditures  
and Changes in Fund Balances - Budget and Actual (GAAP Basis)  
For the years ended June 30, 2007 and June 30, 2006**

	2007				2006			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>								
Local Taxes	\$ 197,741,243	\$ 196,241,243	\$ 204,289,279	\$ 8,048,036	\$ 187,717,809	\$ 196,647,429	\$ 8,929,620	
Licenses and Permits	36,000	1,536,000	1,492,051	(43,949)	36,000	1,530,087	1,494,087	
Charges for Current Services	715,000	715,000	412,543	(302,457)	618,925	727,266	108,341	
Other Local Revenues	1,791,081	2,220,438	2,414,015	193,577	1,374,545	1,401,942	27,397	
State of Tennessee	128,077,535	129,658,257	129,938,324	280,067	128,117,000	127,785,836	(331,164)	
Federal Government	429,141	528,207	566,069	37,862	740,601	753,385	12,784	
<b>Total Revenues</b>	<b>328,790,000</b>	<b>330,899,145</b>	<b>339,112,281</b>	<b>8,213,136</b>	<b>318,604,880</b>	<b>328,845,945</b>	<b>10,241,065</b>	
<b>Expenditures</b>								
Current:								
Education:								
Personal Services	228,466,313	229,375,560	227,704,151	1,671,409	221,083,437	217,503,458	3,579,979	
Employee Benefits	49,423,059	50,560,916	50,270,908	290,008	46,632,842	45,920,101	712,741	
Contracted Services	18,998,208	19,290,492	18,790,473	500,019	18,826,514	18,007,677	818,837	
Supplies and Materials	21,302,000	27,312,739	25,230,542	2,082,197	28,117,001	25,693,405	2,423,596	
Other Charges	7,028,589	6,963,104	6,744,994	218,110	5,511,230	5,253,890	257,340	
Capital Outlay	1,238,308	811,517	724,105	87,412	873,954	799,547	74,407	
Payments to Primary Government	5,743,523	6,353,523	5,646,289	707,234	4,467,124	4,467,124	-	
<b>Total Expenditures</b>	<b>332,200,000</b>	<b>340,667,851</b>	<b>335,111,462</b>	<b>5,556,389</b>	<b>325,512,102</b>	<b>317,645,202</b>	<b>7,866,900</b>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,410,000)	(9,768,706)	4,000,819	13,769,525	(6,907,222)	11,200,743	18,107,965	

continued

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
 Knox County Board of Education  
 General Fund - General Purpose School  
 Comparative Schedules of Revenues, Expenditures  
 and Changes in Fund Balances - Budget and Actual (GAAP Basis) (Continued)  
 For the years ended June 30, 2007 and June 30, 2006

	2007				2006		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Other Financing Sources (Uses)</b>							
Transfers From Other Funds	\$ 260,000	\$ 260,000	\$ 2,937	\$ (257,063)	\$ 10,000	\$ 4,506	\$ (5,494)
Transfers To Other Funds	-	(1,866,390)	(2,520,880)	(654,490)	(775,300)	(762,140)	13,160
Total Other Financing Sources (Uses)	260,000	(1,606,390)	(2,517,943)	(911,553)	(765,300)	(757,634)	7,666
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,150,000)	(11,375,096)	1,482,876	12,857,972	(7,672,522)	10,443,109	18,115,631
Fund Balances, July 1	30,968,765	30,968,765	30,968,765	-	20,525,656	20,525,656	-
Fund Balances, June 30	\$ 27,818,765	\$ 19,593,669	\$ 32,451,641	\$ 12,857,972	\$ 12,853,134	\$ 30,968,765	\$ 18,115,631

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KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
School Construction Capital Projects Fund  
Comparative Balance Sheets  
June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 17,303,461	\$ 22,257,592
Receivables (Net of Allowance for Uncollectibles):		
Accounts	3,259,185	3,165,992
Due from Primary Government	<u>38,229,990</u>	<u>35,763,902</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 58,792,636</u></u>	<u><u>\$ 61,187,486</u></u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 2,776,154	\$ 3,486,332
Due to Primary Government	<u>52</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>2,776,206</u>	<u>3,486,332</u>
<b>Fund Balances (Deficits):</b>		
Reserved	10,405,936	2,718,623
Unreserved, Undesignated	<u>45,610,494</u>	<u>54,982,531</u>
<b>TOTAL FUND BALANCES</b>	<u>56,016,430</u>	<u>57,701,154</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 58,792,636</u></u>	<u><u>\$ 61,187,486</u></u>



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KNOX COUNTY, TENNESSEE

**Discretely Presented Component Unit -  
Knox County Board of Education  
School Construction Capital Projects Fund  
Comparative Statements of Revenues, Expenditures  
and Changes in Fund Balances**  
For the years ended June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Local Taxes	\$ 19,162,665	\$ 18,160,252
Interest Earned	2,466,088	1,827,647
Payments from Primary Government	10,750,000	44,994,500
Debt Proceeds Received from Primary Government	<u>18,550,000</u>	<u>27,000,000</u>
Total Revenues	<u>50,928,753</u>	<u>91,982,399</u>
<b>Expenditures</b>		
Capital Projects	35,027,396	28,636,246
Payments to Primary Government	17,300,000	16,900,000
Other Charges	<u>286,081</u>	<u>182,250</u>
Total Expenditures	<u>52,613,477</u>	<u>45,718,496</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,684,724)	46,263,903
Fund Balances, July 1	<u>57,701,154</u>	<u>11,437,251</u>
Fund Balances, June 30	<u>\$ 56,016,430</u>	<u>\$ 57,701,154</u>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
 Knox County Board of Education  
 School Construction Capital Projects Fund  
 Comparative Schedules of Revenues, Expenditures  
 and Changes in Fund Balances - Budget and Actual (Budget Basis)  
 For the years ended June 30, 2007 and June 30, 2006

	2007				2006		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 16,950,000	\$ 16,950,000	\$ 16,950,000	\$ -	\$ 16,700,000	\$ 16,900,000	\$ 200,000
Other Local Revenue	350,000	350,000	350,000	-	-	-	-
Total Revenues	17,300,000	17,300,000	17,300,000	-	16,700,000	16,900,000	200,000
<b>Expenditures</b>							
Other Charges:							
Payments to Primary Government	17,300,000	17,300,000	17,300,000	-	16,700,000	16,900,000	(200,000)
Total Expenditures	17,300,000	17,300,000	17,300,000	-	16,700,000	16,900,000	(200,000)
Excess of Revenues Over Expenditures	-	-	-	-	-	-	-
Fund Balances, July 1 (Budget Basis)	-	-	-	-	-	-	-
Fund Balances, June 30 (Budget Basis)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Reconciliation of Fund Balances (Budget Basis) to Fund Balances (GAAP Basis):</b>							
Fund Balance (Budget Basis)					\$ -	\$ -	
Timing Differences:							
Project Length Budgets			56,016,430			57,701,154	
Fund Balance (GAAP Basis)			<u>\$ 56,016,430</u>			<u>\$ 57,701,154</u>	

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
 Knox County Board of Education  
 School Construction Capital Projects Fund  
 Schedule of Construction Project Expenditures -  
 Budget and Actual  
 For the year ended June 30, 2007

	Project Budget	Expenditures			Available
		Prior Years	Current	Total	
<b>Expenditures</b>					
<i>Capital Projects:</i>					
<i>School Renovation:</i>					
Physical Plant Upgrades	\$ 8,220,413	\$ -	\$ 4,099,073	\$ 4,099,073	\$ 4,121,340
Land Investigation	8,983	-	8,983	8,983	-
Roofing and HVAC	545,150	-	299,203	299,203	245,947
Stadium Bleachers	1,563,164	1,546,837	9,222	1,556,059	7,105
Fire Alarm Upgrade	500,000	491,991	8,009	500,000	-
Professional Development Technology Center	1,241,000	1,235,083	5,917	1,241,000	-
School Maintenance & Consolidation	1,023,000	916,852	34,948	951,800	71,200
Amherst Elementary (Was Ridgedale in '04)	16,246,500	15,802,086	147,823	15,949,909	296,591
Cedar Bluff K-3	17,777,113	3,694,695	6,882,910	10,577,605	7,199,508
Brickey Elementary	14,422,574	14,349,193	50,885	14,400,078	22,496
Halls Elementary	3,532,111	3,513,434	-	3,513,434	18,677
Bonny Kate Elementary	282,410	280,098	2,312	282,410	-
Holston Middle	2,200,499	2,190,359	10,140	2,200,499	-
New Holston Middle	11,944,500	11,055,460	499,658	11,555,118	389,382
West High Library / Cafeteria	2,200,000	2,035,140	139,880	2,175,020	24,980
Gibbs Elementary School	15,404,720	9,233,359	5,971,495	15,204,854	199,866
Maintenance Land Acquisition	168,000	73,738	94,262	168,000	-
Powell Middle	1,129,149	1,049,786	72,223	1,122,009	7,140
Karns High Addition and Renovations	3,000,000	666,487	2,146,514	2,813,001	186,999
<i>Total Capital Projects:</i>	<u>\$ 101,409,286</u>	<u>\$ 68,134,598</u>	<u>\$ 20,483,457</u>	<u>\$ 88,618,055</u>	<u>\$ 12,791,231</u>
Project Expenditures			\$ 20,483,457		
Expenditures - Activities Budgeted on Annual Basis			<u>32,130,021</u>		
Total School Construction Fund Expenditures			<u>\$ 52,613,478</u>		

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KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
School Federal Projects Special Revenue Fund  
Comparative Balance Sheets  
June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Receivables (Net of Allowance for Uncollectibles):		
Accounts	\$ 4,738,505	\$ 7,094,922
Due from Other Funds	378,964	-
Prepaid Items	<u>71,339</u>	<u>33,702</u>
TOTAL ASSETS	<u>\$ 5,188,808</u>	<u>\$ 7,128,624</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 3,049,726	\$ 3,281,738
Due to Other Funds	1,960,475	3,702,105
Due to Primary Government	5,507	837
Deferred Revenue	<u>159,939</u>	<u>130,408</u>
TOTAL LIABILITIES	<u>5,175,647</u>	<u>7,115,088</u>
 <b>Fund Balances (Deficits):</b>		
Reserved	221,081	124,441
Unreserved, Undesignated	<u>(207,920)</u>	<u>(110,905)</u>
TOTAL FUND BALANCES	<u>13,161</u>	<u>13,536</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,188,808</u>	<u>\$ 7,128,624</u>

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
School Federal Projects Special Revenue Fund  
Comparative Statements of Revenues, Expenditures  
and Changes in Fund Balances  
For the years ended June 30, 2007 and June 30, 2006**

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	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Other Local Revenues	\$ 7,673	\$ 277
State of Tennessee	89,114	95,537
Federal Government	31,368,154	29,496,172
	<hr/>	<hr/>
Total Revenues	31,464,941	29,591,986
	<hr/>	<hr/>
<b>Expenditures</b>		
Current:		
Education	31,495,274	29,679,521
	<hr/>	<hr/>
Deficiency of Revenues Under Expenditures	(30,333)	(87,535)
	<hr/>	<hr/>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	32,895	56,839
Transfers to Other Funds	(2,937)	-
	<hr/>	<hr/>
Total Other Financing Sources	29,958	56,839
	<hr/>	<hr/>
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(375)	(30,696)
	<hr/>	<hr/>
Fund Balances, July 1	13,536	44,232
	<hr/>	<hr/>
Fund Balances, June 30	\$ 13,161	\$ 13,536
	<hr/> <hr/>	<hr/> <hr/>

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
 Knox County Board of Education  
 School Federal Projects Special Revenue Fund  
 Comparative Schedules of Revenues, Expenditures  
 and Changes in Fund Balances - Budget and Actual (GAAP Basis)  
 For the years ended June 30, 2007 and June 30, 2006

	2007				2006		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Other Local Revenues	\$ -	\$ 23,355	\$ 7,673	\$ (15,682)	\$ 23,355	\$ 277	\$ (23,078)
State of Tennessee	-	76,102	89,114	13,012	98,066	95,537	(2,529)
Federal Government	-	34,270,962	31,368,154	(2,902,808)	43,473,587	29,496,172	(13,977,415)
Other Governments & Citizens Groups	-	15,294	-	(15,294)	1,049	-	(1,049)
<b>Total Revenues</b>	-	34,385,713	31,464,941	(2,920,772)	43,596,057	29,591,986	(14,004,071)
<b>Expenditures</b>							
Current:							
Education:							
Personal Services	-	20,709,989	19,679,236	1,030,753	23,885,588	19,002,564	4,883,024
Employee Benefits	-	4,203,997	4,280,088	(76,091)	5,103,418	3,911,634	1,191,784
Contracted Services	-	2,238,460	1,118,694	1,119,766	2,206,539	1,356,966	849,573
Supplies and Materials	-	4,210,833	4,168,621	42,212	8,678,096	3,659,787	5,018,309
Other Charges	-	2,556,914	2,144,778	412,136	3,460,189	1,604,502	1,855,687
Capital Outlay	-	482,910	103,857	379,053	326,145	144,068	182,077
<b>Total Expenditures</b>	-	34,403,103	31,495,274	2,907,829	43,659,975	29,679,521	13,980,454
Deficiency of Revenues Under Expenditures	-	(17,390)	(30,333)	(12,943)	(63,918)	(87,535)	(23,617)
<b>Other Financing Sources (Uses)</b>							
Transfer from Other Funds	-	17,390	32,895	15,505	63,918	56,839	(7,079)
Transfer to Other Funds	-	-	(2,937)	(2,937)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	-	17,390	29,958	12,568	63,918	56,839	(7,079)
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	-	-	(375)	(375)	-	(30,696)	(30,696)
Fund Balances, July 1	-	13,536	13,536	-	44,232	44,232	-
Fund Balances, June 30	\$ -	\$ 13,536	\$ 13,161	\$ (375)	\$ 44,232	\$ 13,536	\$ (30,696)

Note - Budgets are adopted throughout the year as grants are approved. See Note II. A.

KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
Knox County Board of Education  
School General Projects Special Revenue Fund  
Comparative Balance Sheets  
June 30, 2007 and June 30, 2006

	2007	2006
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,443,396	\$ 75
Receivables (Net of Allowance for Uncollectibles):		
Accounts	230,893	186,156
Due from Component Units	-	2,199,509
Due from Other Funds	1,084,239	-
TOTAL ASSETS	<u>\$ 2,758,528</u>	<u>\$ 2,385,740</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 184,337	\$ 643,201
Due to Other Funds	338,653	405,268
Due to Primary Government	596	1,117
Deferred Revenue	218,864	192,365
TOTAL LIABILITIES	<u>742,450</u>	<u>1,241,951</u>
<b>Fund Balances (Deficits):</b>		
Reserved	1,743,898	1,268,508
Unreserved:		
Undesignated	272,180	(124,719)
TOTAL FUND BALANCES	<u>2,016,078</u>	<u>1,143,789</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,758,528</u>	<u>\$ 2,385,740</u>

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
School General Projects Special Revenue Fund  
Comparative Statements of Revenues, Expenditures  
and Changes in Fund Balances  
For the years ended June 30, 2007 and June 30, 2006**

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	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Licenses and Permits	\$ 2,418	\$ 2,201
Charges for Current Services	87,074	16,568
Other Local Revenues	1,514,347	573,095
State of Tennessee	411,248	872,770
Other Governments and Citizens Groups	438,740	321,727
Payments from Primary Government	4,148,000	2,570,000
Payment from Component Unit	-	2,199,509
	<u>6,601,827</u>	<u>6,555,870</u>
<b>Expenditures</b>		
Current:		
Education:	4,069,401	5,929,666
Payment to Component Unit	4,148,122	2,570,000
	<u>8,217,523</u>	<u>8,499,666</u>
Total Expenditures	<u>8,217,523</u>	<u>8,499,666</u>
Deficiency of Revenues Under Expenditures	<u>(1,615,696)</u>	<u>(1,943,796)</u>
<b>Other Financing Sources (Uses)</b>		
Transfers From Other Funds	2,487,985	705,301
Transfers To Other Funds	-	(4,506)
	<u>2,487,985</u>	<u>700,795</u>
Total Other Financing Sources	<u>2,487,985</u>	<u>700,795</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	872,289	(1,243,001)
Fund Balances, July 1	<u>1,143,789</u>	<u>2,386,790</u>
Fund Balances, June 30	<u>\$ 2,016,078</u>	<u>\$ 1,143,789</u>



KNOX COUNTY, TENNESSEE

Discretely Presented Component Unit -  
 Knox County Board of Education  
 School General Projects Special Revenue Fund  
 Comparative Schedules of Revenues, Expenditures  
 and Changes in Fund Balances - Budget and Actual (GAAP Basis)  
 For the years ended June 30, 2007 and June 30, 2006

	2007				2006		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Licenses and Permits	\$ -	\$ -	\$ 2,418	\$ 2,418	\$ -	\$ 2,201	\$ 2,201
Charges for Current Services	-	219,215	87,074	(132,141)	143,433	16,568	(126,865)
Other Local Revenues	-	1,535,789	1,514,347	(21,442)	625,233	573,095	(52,138)
State of Tennessee	-	541,445	411,248	(130,197)	1,001,653	872,770	(128,883)
Payments from Primary Government	-	4,148,000	4,148,000	-	2,570,000	2,570,000	-
Other Governments and Citizens Groups	-	460,787	438,740	(22,047)	529,504	321,727	(207,777)
Payment from Component Unit	-	-	-	-	2,199,509	2,199,509	-
<b>Total Revenues</b>	-	6,905,236	6,601,827	(303,409)	7,069,332	6,555,870	(513,462)
<b>Expenditures</b>							
Current:							
Education:							
Personal Services	-	1,064,313	1,186,750	(122,437)	2,910,454	2,555,696	354,758
Employee Benefits	-	200,664	229,951	(29,287)	645,313	506,114	139,199
Contracted Services	-	801,636	2,140,474	(1,338,838)	1,186,181	1,205,551	(19,370)
Supplies and Materials	-	1,571,999	47,234	1,524,765	1,415,553	1,047,116	368,437
Other Charges	-	19,882	11,992	7,890	181,957	103,531	78,426
Capital Outlay	-	2,773,958	453,000	2,320,958	1,299,767	511,658	788,109
Payment to Component Unit	-	4,148,122	4,148,122	-	2,570,000	2,570,000	-
<b>Total Expenditures</b>	-	10,580,574	8,217,523	2,363,051	10,209,225	8,499,666	1,709,559
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(3,675,338)	(1,615,696)	2,059,642	(3,139,893)	(1,943,796)	1,196,097
<b>Other Financing Sources (Uses)</b>							
Transfers from Other Funds	-	2,488,521	2,487,985	(536)	3,164,399	705,301	(2,459,098)
Transfers to Other Funds	-	-	-	-	(4,506)	(4,506)	-
<b>Total Other Financing Sources (Uses)</b>	-	2,488,521	2,487,985	(536)	3,159,893	700,795	(2,459,098)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	(1,186,817)	872,289	2,059,106	20,000	(1,243,001)	(1,263,001)
Fund Balances, July 1	-	1,143,789	1,143,789	-	2,386,790	2,386,790	-
Fund Balances, June 30	\$ -	\$ (43,028)	\$ 2,016,078	\$ 2,059,106	\$ 2,406,790	\$ 1,143,789	\$ (1,263,001)

Note - Budgets are adopted throughout the year as grants are approved. See Note II. A.

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Central Cafeteria Special Revenue Fund  
Comparative Balance Sheets  
June 30, 2007 and June 30, 2006**

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,328,125	\$ 2,099,012
Receivables (Net of Allowance for Uncollectibles):		
Accounts	120,377	1,017,877
Due from Other Funds	2,026,634	885,437
Inventories	<u>173,727</u>	<u>195,068</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,648,863</u></u>	<u><u>\$ 4,197,394</u></u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 236,416	\$ 382,360
Due to Other Funds	75,033	73,795
Deferred Revenue	<u>59,366</u>	<u>7,276</u>
<b>TOTAL LIABILITIES</b>	<u>370,815</u>	<u>463,431</u>
<b>Fund Balances:</b>		
Reserved	207,719	298,978
Unreserved, Undesignated	<u>3,070,329</u>	<u>3,434,985</u>
<b>TOTAL FUND BALANCES</b>	<u>3,278,048</u>	<u>3,733,963</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 3,648,863</u></u>	<u><u>\$ 4,197,394</u></u>

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Central Cafeteria Special Revenue Fund  
Comparative Statements of Revenues, Expenditures  
and Changes in Fund Balances  
For the years ended June 30, 2007 and June 30, 2006**

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	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Charges for Current Services	\$ 8,720,427	\$ 9,348,987
Other Local Revenues	261,074	306,559
State of Tennessee	241,210	244,711
Federal Government	<u>10,335,342</u>	<u>9,796,015</u>
Total Revenues	<u>19,558,053</u>	<u>19,696,272</u>
<b>Expenditures</b>		
Current:		
Education:		
Food Service	<u>20,013,968</u>	<u>19,409,994</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(455,915)	286,278
Fund Balances, July 1	<u>3,733,963</u>	<u>3,447,685</u>
Fund Balances, June 30	<u>\$ 3,278,048</u>	<u>\$ 3,733,963</u>

**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Central Cafeteria Special Revenue Fund  
Comparative Schedules of Revenues, Expenditures  
and Changes in Fund Balances - Budget and Actual (GAAP Basis)  
For the years ended June 30, 2007 and June 30, 2006**

	2007				2006		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>							
Charges for Current Services	\$ 9,269,000	\$ 9,269,000	\$ 8,720,427	\$ (548,573)	\$ 9,269,000	\$ 9,348,987	\$ 79,987
Other Local Revenues	348,000	348,000	261,074	(86,926)	435,000	306,559	(128,441)
State of Tennessee	245,000	245,000	241,210	(3,790)	245,000	244,711	(289)
Federal Government	8,870,000	9,692,069	10,335,342	643,273	9,497,816	9,796,015	298,199
<b>Total Revenues</b>	<b>18,732,000</b>	<b>19,554,069</b>	<b>19,558,053</b>	<b>3,984</b>	<b>19,446,816</b>	<b>19,696,272</b>	<b>249,456</b>
<b>Expenditures</b>							
Current:							
Education:							
Food Service:							
Personal Services	7,500,500	6,953,500	6,952,482	1,018	7,277,250	6,820,194	457,056
Employee Benefits	1,770,000	2,207,077	2,207,077	-	2,071,500	2,071,335	165
Contracted Services	485,505	635,505	655,756	(20,251)	588,834	588,106	728
Supplies & Materials	8,712,786	9,429,778	9,442,374	(12,596)	9,528,852	9,309,738	219,114
Other Charges	292,119	297,119	293,190	3,929	305,451	278,455	26,996
Capital Outlay	75,000	135,000	463,089	(328,089)	557,400	342,166	215,234
<b>Total Expenditures</b>	<b>18,835,910</b>	<b>19,657,979</b>	<b>20,013,968</b>	<b>(355,989)</b>	<b>20,329,287</b>	<b>19,409,994</b>	<b>919,293</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(103,910)	(103,910)	(455,915)	(352,005)	(882,471)	286,278	1,168,749
Fund Balances, July 1	3,733,963	3,733,963	3,733,963	-	3,447,685	3,447,685	-
Fund Balances, June 30	\$ 3,630,053	\$ 3,630,053	\$ 3,278,048	\$ (352,005)	\$ 2,565,214	\$ 3,733,963	\$ 1,168,749

**KNOX COUNTY, TENNESSEE**  
**Discretely Presented Component Unit**  
**Knox County Board of Education**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
 June 30, 2007

	Pension Trust Funds	Agency Funds
<b>ASSETS</b>		
Receivables (Net of Allowance for Uncollectibles):		
Contributions	\$ 32,034	\$ -
Investments	85,237,723	-
Due from Primary Government	134,516	-
Due from Other Plan	239,243	-
Other Assets	-	6,995,110
	85,643,516	\$ 6,995,110
<b>TOTAL ASSETS</b>	<b>85,643,516</b>	<b>\$ 6,995,110</b>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	33,528	\$ -
Liability for Student Activities	-	6,995,110
	33,528	\$ 6,995,110
<b>TOTAL LIABILITIES</b>	<b>33,528</b>	<b>\$ 6,995,110</b>
<b>NET ASSETS</b>		
Held in Trust for:		
Pension Benefits	\$ 85,609,988	

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Comparative Statements of Fiduciary Net Assets  
Pension Trust Fund - Defined Benefit Plan  
June 30, 2007 and June 30, 2006**

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Receivables:		
Contributions	\$ 32,034	\$ 38,325
Due from Primary Government	134,516	-
Due from Other Plan	239,243	-
Investments, at Fair Value:		
Mutual Funds	<u>85,237,723</u>	<u>78,114,366</u>
<b>TOTAL ASSETS</b>	<u>85,643,516</u>	<u>78,152,691</u>
 <b>LIABILITIES</b>		
Accounts Payable	<u>33,528</u>	<u>117,591</u>
 <b>NET ASSETS</b>		
Held in Trust For:		
Pension Benefits	<u>\$ 85,609,988</u>	<u>\$ 78,035,100</u>

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Comparative Statements of Changes in Fiduciary Net Assets  
Pension Trust Fund - Defined Benefit Plan  
For the years ended June 30, 2007 and June 30, 2006**

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	<u>2007</u>	<u>2006</u>
<b>Additions</b>		
Contributions:		
Employer	\$ -	\$ (739,370)
Employee	1,036,114	1,055,707
	<u>1,036,114</u>	<u>316,337</u>
Total Contributions	1,036,114	316,337
Investment Income:		
Interest and Dividend Income	2,105,048	1,824,271
Net Appreciation in Fair Value of Investments	9,787,534	6,353,518
	<u>11,892,582</u>	<u>8,177,789</u>
Total Investment Earnings	11,892,582	8,177,789
Less Investment Expense	(212,221)	(183,142)
	<u>11,680,361</u>	<u>7,994,647</u>
Net Investment Earnings	11,680,361	7,994,647
	<u>12,716,475</u>	<u>8,310,984</u>
Total Additions	12,716,475	8,310,984
<b>Deductions</b>		
Benefits and Refunds	4,214,406	4,059,122
Payments to Primary Government	927,181	553,136
	<u>5,141,587</u>	<u>4,612,258</u>
Total Deductions	5,141,587	4,612,258
Change in Net Assets	7,574,888	3,698,726
Total Net Assets Held in Trust for Pension Benefits, July 1	<u>78,035,100</u>	<u>74,336,374</u>
Total Net Assets Held in Trust for Pension Benefits, June 30	<u>\$ 85,609,988</u>	<u>\$ 78,035,100</u>

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**KNOX COUNTY, TENNESSEE**

**Discretely Presented Component Unit -  
Knox County Board of Education  
Agency Fund - Student Activity Fund**  
**Comparative Statements of Changes in Fiduciary Assets and Liabilities**  
For the years ended June 30, 2007 and June 30, 2006

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	<u>2007</u>	<u>2006</u>
Assets and Liabilities, July 1	\$ 6,345,426	\$ 6,030,851
Additions	17,890,450	16,714,241
Deductions	<u>(17,240,766)</u>	<u>(16,399,666)</u>
Assets and Liabilities, June 30	<u>\$ 6,995,110</u>	<u>\$ 6,345,426</u>



**KNOX COUNTY, TENNESSEE**

**Net Assets by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)**

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Primary government						
Governmental activities						
Invested in capital assets, net of related debt	\$ 439,996,102	\$ 429,012,067	\$ 430,036,480	\$ 395,113,478	\$ 365,746,439	\$ 333,733,504
Restricted	33,485,986	32,646,617	34,559,910	60,297,870	68,750,828	68,165,803
Unrestricted	(141,993,533)	(130,655,604)	(148,747,919)	(150,361,587)	(204,425,615)	(205,476,472)
Total primary government activities net assets	<u>\$ 331,488,555</u>	<u>\$ 331,003,080</u>	<u>\$ 315,848,471</u>	<u>\$ 305,049,761</u>	<u>\$ 230,071,652</u>	<u>\$ 196,422,835</u>
Component units						
Invested in capital assets, net of related debt	268,404,853	280,139,475	246,697,189	255,600,529	269,693,300	287,591,285
Restricted	21,543,330	4,029,664	5,045,320	9,118,222	16,479,581	16,556,546
Unrestricted	13,477,500	11,757,631	33,961,884	30,697,796	78,988,946	79,856,696
Total component units activities net assets	<u>\$ 303,425,683</u>	<u>\$ 295,926,770</u>	<u>\$ 285,704,393</u>	<u>\$ 295,416,547</u>	<u>\$ 365,161,827</u>	<u>\$ 384,004,527</u>
Total reporting unit activities net assets	<u>\$ 634,914,238</u>	<u>\$ 626,929,850</u>	<u>\$ 601,552,864</u>	<u>\$ 600,466,308</u>	<u>\$ 595,233,479</u>	<u>\$ 580,427,362</u>

*Only six years are reported as Knox County implemented GASB 34 in fiscal year 2002.*

**KNOX COUNTY, TENNESSEE**

**Changes in Net Assets  
Last Ten Fiscal Years  
(accrual basis of accounting)**

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
<b>Expenses</b>						
Primary government:						
Governmental activities:						
Finance and Administration	\$ 30,108,481	\$ 32,196,730	\$ 34,272,564	\$ 36,027,013	\$ 37,137,558	41,307,625
Finance and Administration - payment to component unit	-	-	-	-	2,570,000	4,148,000
Administration of Justice	11,003,409	11,828,805	12,635,947	13,701,681	16,568,869	15,277,291
Public Safety	44,075,976	48,108,309	61,702,000	59,055,357	61,608,268	66,374,696
Public Safety - payment to component unit	1,073,360	1,136,184	603,450	603,450	326,200	326,200
Public Health and Welfare	36,660,927	37,804,098	37,216,721	38,368,614	43,340,309	40,902,596
Public Health and Welfare - payment to component unit	-	-	562,635	562,635	646,990	256,628
Social and Cultural Services	13,546,306	15,766,968	15,130,591	16,592,017	19,562,356	22,529,501
Social and Cultural Services - payment to component unit	1,504,800	-	-	-	-	-
Agricultural and Natural Resources	318,902	335,090	346,591	390,615	402,907	425,395
Other General Government	16,313,593	20,170,170	20,354,933	16,622,981	24,327,500	29,449,900
Highways	21,001,851	21,881,988	23,223,425	21,570,330	24,718,942	24,647,845
Education - payment to component unit	30,635,055	8,400,000	32,000,000	24,844,700	71,812,250	29,174,787
Debt Service - interest and fees	19,120,169	18,389,968	17,958,758	21,404,699	23,403,511	25,920,605
Debt Service - other	368,441	374,006	-	-	-	-
Total primary government expenses	<u>\$ 225,731,270</u>	<u>\$ 216,392,316</u>	<u>\$ 256,007,615</u>	<u>\$ 249,744,092</u>	<u>\$ 326,425,660</u>	<u>\$ 300,741,069</u>
Component units:						
Board of Education	\$ 335,660,189	\$ 360,448,491	\$ 386,742,267	\$ 395,291,970	\$ 405,567,591	\$ 429,883,031
Knox County Railroad Authority	74,365	508,507	220,964	63,818	77,809	298,394
Knox County Emergency Communications District	6,185,897	6,008,787	6,840,936	7,148,453	6,468,004	6,302,412
Knox County Tourist Commission	1,916,595	-	-	-	-	-
Total component units expenses	<u>\$ 343,837,046</u>	<u>\$ 366,965,785</u>	<u>\$ 393,804,167</u>	<u>\$ 402,504,241</u>	<u>\$ 412,113,404</u>	<u>\$ 436,483,837</u>
Total reporting unit expenses	<u>\$ 569,568,316</u>	<u>\$ 583,358,101</u>	<u>\$ 649,811,782</u>	<u>\$ 652,248,333</u>	<u>\$ 738,539,064</u>	<u>\$ 737,224,906</u>

Only six years are reported as Knox County implemented GASB 34 in fiscal year 2002.

Continued

KNOX COUNTY, TENNESSEE

Changes in Net Assets  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
<b>Program Revenues</b>						
Primary government:						
Governmental activities:						
Charges for Services:						
Finance and Administration	\$ 23,459,317	\$ 24,360,351	\$ 26,732,880	\$ 28,316,120	\$ 20,316,983	\$ 20,508,747
Administration of Justice	3,421,390	3,099,291	3,212,895	3,657,019	11,071,804	11,190,419
Public Safety	662,636	789,430	903,493	1,032,281	533,509	499,320
Public Health and Welfare	4,180,347	4,085,553	5,086,478	4,901,207	5,349,029	5,182,137
Social and Cultural Services	1,591,060	805,230	2,206,814	1,873,889	1,122,961	1,193,157
Other General Government	265	114	21	5,697	2,412,907	1,984,775
Highways	10,664	2,492	50,692	20,570	53,041	-
Operating grants and contributions	18,997,160	20,962,543	23,108,400	22,760,584	23,799,473	20,535,731
Total primary government program revenues	<u>\$ 52,322,839</u>	<u>\$ 54,105,004</u>	<u>\$ 61,301,673</u>	<u>\$ 62,567,367</u>	<u>\$ 64,659,707</u>	<u>\$ 61,094,286</u>
Component units:						
Charges for Services:						
Board of Education	\$ 11,766,285	\$ 11,023,657	\$ 11,723,822	\$ 12,199,060	\$ 12,406,982	\$ 13,452,161
Knox County Emergency Communications District	3,717,937	3,768,771	3,806,247	3,867,183	3,739,653	3,562,338
Knox County Tourist Commission	201,709	-	-	-	-	-
Operating grants and contributions	140,046,001	147,774,587	150,148,071	166,164,250	168,419,769	174,417,041
Capital grants and contributions	-	-	-	-	131,471	-
Total component units program revenues	<u>\$ 155,731,932</u>	<u>\$ 162,567,015</u>	<u>\$ 165,678,140</u>	<u>\$ 182,230,493</u>	<u>\$ 184,697,875</u>	<u>\$ 191,431,540</u>
Total reporting unit program revenues	<u>\$ 208,054,771</u>	<u>\$ 216,672,019</u>	<u>\$ 226,979,813</u>	<u>\$ 244,797,860</u>	<u>\$ 249,357,582</u>	<u>\$ 252,525,826</u>
Net (expense)/revenue						
Primary government activities	\$ (173,408,431)	\$ (162,287,312)	\$ (194,705,942)	\$ (187,176,725)	\$ (261,765,953)	\$ (239,646,783)
Component units	(188,105,114)	(204,398,770)	(228,126,027)	(220,273,748)	(227,415,529)	(245,052,297)
Total net (expense) revenues for reporting unit	<u>\$ (361,513,545)</u>	<u>\$ (366,686,082)</u>	<u>\$ (422,831,969)</u>	<u>\$ (407,450,473)</u>	<u>\$ (489,181,482)</u>	<u>\$ (484,699,080)</u>

Only six years are reported as Knox County implemented GASB 34 in fiscal year 2002.

Continued

KNOX COUNTY, TENNESSEE

Changes in Net Assets  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
<b>General Revenues and Other Changes in Net Assets</b>						
Primary government:						
Governmental activities:						
Taxes						
Property taxes	\$ 107,481,587	\$ 112,175,848	\$ 113,293,837	\$ 116,504,303	\$ 117,697,785	\$ 124,861,193
Sales taxes	6,480,559	9,516,271	9,185,734	9,133,387	9,626,296	10,031,562
Lodging taxes	3,857,548	4,272,762	4,025,335	4,207,643	4,702,072	5,286,419
Business taxes	4,602,011	4,797,392	5,115,059	5,605,190	5,864,308	6,651,425
Wheel taxes	-	-	1,186,075	9,182,465	10,118,110	10,347,460
Other local taxes	3,326,165	3,229,268	3,249,019	3,671,045	3,649,170	3,667,617
Interest income	3,738,576	2,839,049	2,016,481	2,756,903	7,142,137	8,179,185
Other revenues	20,848,860	20,849,073	31,715,158	25,001,861	27,521,207	36,236,016
Contracts - other governments and citizens	1,017,769	1,679,555	1,797,835	307,354	466,759	584,683
Miscellaneous	-	(876)	-	7,864	-	152,406
Total primary government	<u>\$ 151,353,075</u>	<u>\$ 159,358,342</u>	<u>\$ 171,584,533</u>	<u>\$ 176,378,015</u>	<u>\$ 186,787,844</u>	<u>\$ 205,997,966</u>
Component units:						
Taxes						
Property taxes	\$ 83,864,682	\$ 87,309,066	\$ 88,924,962	\$ 91,224,003	\$ 96,753,338	\$ 97,724,691
Sales taxes	98,456,334	99,196,928	104,990,997	109,296,323	118,690,397	125,062,455
Wheel taxes	-	-	1,186,075	1,500,000	1,500,000	1,459,461
Other local taxes	-	-	-	-	1,139,144	1,276,897
Interest income	365,736	215,361	222,216	361,331	2,003,350	2,746,738
Payments from primary government	33,213,215	9,536,184	33,166,085	26,010,785	75,355,440	33,905,615
Other revenues	5,573	-	-	-	-	-
Contracts - other governments and citizens	1,440,198	1,518,452	1,518,460	1,593,460	1,719,140	1,719,140
Miscellaneous	-	1,000	-	-	-	-
Special item - distribution of net assets to successor organization	-	(877,134)	-	-	-	-
Total component units	<u>\$ 217,345,738</u>	<u>\$ 196,899,857</u>	<u>\$ 230,008,795</u>	<u>\$ 229,985,902</u>	<u>\$ 297,160,809</u>	<u>\$ 263,894,997</u>
Total reporting unit	<u>\$ 368,698,813</u>	<u>\$ 356,258,199</u>	<u>\$ 401,593,328</u>	<u>\$ 406,363,917</u>	<u>\$ 483,948,653</u>	<u>\$ 469,892,963</u>
<b>Change in Net Assets</b>						
Primary government activities	\$ (22,055,356)	\$ (2,928,970)	\$ (23,121,409)	\$ (10,798,710)	\$ (74,978,109)	\$ (33,648,817)
Component units activities	29,240,624	(7,498,913)	1,882,768	9,712,154	69,745,280	18,842,700
Total reporting unit	<u>\$ 7,185,268</u>	<u>\$ (10,427,883)</u>	<u>\$ (21,238,641)</u>	<u>\$ (1,086,556)</u>	<u>\$ (5,232,829)</u>	<u>\$ (14,806,117)</u>

Only six years are reported as Knox County implemented GASB 34 in fiscal year 2002.

KNOX COUNTY, TENNESSEE

Primary Government Activities Tax Revenues By Source  
Last Ten Fiscal Years  
(accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Lodging Tax</u>	<u>Business Tax</u>	<u>Wheel Tax</u>	<u>Other Local Tax</u>	<u>Total</u>
2002	\$ 107,481,587	\$ 6,480,559	\$ 3,857,548	\$ 4,602,011	\$ -	\$ 3,326,165	\$ 125,747,870
2003	112,175,848	9,516,271	4,272,762	4,797,392	-	3,229,268	133,991,541
2004	113,293,837	9,185,734	4,025,335	5,115,059	1,186,075 (1)	3,249,019	136,055,059
2005	116,504,303	9,133,387	4,207,643	5,605,190	9,182,465	3,671,045	148,304,033
2006	117,697,785	9,626,296	4,702,072	5,864,308	10,118,110	3,649,170	151,657,741
2007	124,861,193	10,031,562	5,286,419	6,651,425	10,347,460	3,667,617	160,845,676

(1) First year of tax.

Only six years are reported as Knox County implemented GASB 34 in fiscal year 2002.

Continued

KNOX COUNTY, TENNESSEE

Component Units Activities Tax Revenues By Source  
Last Ten Fiscal Years  
(accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Wheel Tax</u>	<u>Other Local Tax</u>	<u>Total</u>
2002	\$ 83,864,682	\$ 98,456,334	-	-	\$ 182,321,016
2003	87,309,066	99,196,928	-	-	186,505,994
2004	88,924,962	104,990,997	1,186,075 (1)	-	195,102,034
2005	91,224,003	109,296,323	1,500,000	-	202,020,326
2006	96,753,338	118,690,397	1,500,000	1,139,144	218,082,879
2007	97,724,691	125,062,455	1,459,461	1,276,897	225,523,504

(1) First year of tax.

Only six years are reported as Knox County implemented GASB 34 in fiscal year 2002.

Continued

**KNOX COUNTY, TENNESSEE**

**Reporting Unit Activities Tax Revenues By Source  
Last Ten Fiscal Years  
(accrual basis of accounting)**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Lodging Tax</b>	<b>Business Tax</b>	<b>Wheel Tax</b>	<b>Other Local Tax</b>	<b>Total</b>
2002	\$ 191,346,269	\$ 104,936,893	\$ 3,857,548	\$ 4,602,011	\$ -	\$ 3,326,165	\$ 308,068,886
2003	199,484,914	108,713,199	4,272,762	4,797,392	-	3,229,268	320,497,535
2004	202,218,799	114,176,731	4,025,335	5,115,059	2,372,150 (1)	3,249,019	331,157,093
2005	207,728,306	118,429,710	4,207,643	5,605,190	10,682,465	3,671,045	350,324,359
2006	214,451,123	128,316,693	4,702,072	5,864,308	11,618,110	4,788,314	369,740,620
2007	222,585,884	135,094,017	5,286,419	6,651,425	11,806,921	4,944,514	386,369,180

(1) First year of tax.

Only six years are reported as Knox County implemented GASB 34 in fiscal year 2002.

**KNOX COUNTY, TENNESSEE**

**Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)**

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General fund						
Reserved	\$ 5,364,376	\$ 10,937,680	\$ 8,671,373	\$ 7,934,931	\$ 7,823,979	\$ 9,306,651
Unreserved	36,120,754	38,472,540	39,593,912	40,799,145	49,774,563	46,495,324
Total general fund	<u>\$ 41,485,130</u>	<u>\$ 49,410,220</u>	<u>\$ 48,265,285</u>	<u>\$ 48,734,076</u>	<u>\$ 57,598,542</u>	<u>\$ 55,801,975</u>
All other governmental funds						
Reserved	\$ 36,587,826	\$ 26,269,284	\$ 22,402,928	\$ 24,624,542	\$ 12,295,421	\$ 21,463,450
Unreserved, reported in:						
Special revenue constitutional officers	2,512,960	2,560,175	3,563,157	4,793,783	3,784,117	3,826,048
Capital projects public improvement	(9,877,536)	(17,489,451)	(20,814,424)	5,645,300	(3,214,692)	(9,257,333)
Debt service	26,210,928	25,500,852	28,024,529	30,906,228	24,120,114	26,617,102
Permanent funds	15,882,015	19,135,952	16,105,862	15,957,883	15,157,943	12,742,029
Total all other governmental funds	<u>\$ 71,316,193</u>	<u>\$ 55,976,812</u>	<u>\$ 49,282,052</u>	<u>\$ 81,927,736</u>	<u>\$ 52,142,903</u>	<u>\$ 55,391,296</u>

*Only six years are reported as Knox County implemented GASB 34 in fiscal year 2002.*



**KNOX COUNTY, TENNESSEE**

**Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)**

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
<b>Revenues</b>						
Taxes	\$ 128,776,863	\$ 134,082,211	\$ 136,756,864	\$ 148,071,025	\$ 156,075,279	\$ 161,129,442
Licenses and permits	2,379,483	2,840,878	3,226,481	3,472,814	3,741,911	3,623,663
State of Tennessee	20,558,477	19,612,800	19,657,610	19,312,368	16,370,956	21,319,794
Federal government	2,736,348	4,465,916	6,472,966	5,779,123	11,534,036	8,635,219
Other governments and citizen groups	1,966,116	730,942	2,321,912	1,455,388	1,040,630	3,830,345
Charges for services	23,506,444	24,030,206	27,142,787	27,835,419	28,388,616	27,931,145
Fines	3,033,556	2,846,280	2,856,308	3,231,893	4,058,576	4,126,768
Investment earnings	3,720,835	2,834,462	2,015,723	2,713,771	7,145,359	8,180,389
Payments from component units	15,795,391	16,457,417	27,473,875	20,838,840	21,649,922	23,229,518
Fees received from county officials	271,420	310,317	370,274	426,736	207,187	173,375
Increase in equity interest in joint venture	-	-	-	-	10,385	713,764
Other local revenues	2,955,393	4,416,726	4,271,988	4,383,663	4,470,506	2,590,971
Total revenues	<u>205,700,326</u>	<u>212,628,155</u>	<u>232,566,788</u>	<u>237,521,040</u>	<u>254,693,363</u>	<u>265,484,393</u>
<b>Expenditures</b>						
Finance and administration	30,185,822	32,108,836	34,004,920	35,792,902	36,919,202	41,092,636
Finance and administration - payments to component units	-	-	-	1,000,000	2,570,000	4,148,000
Administration of justice	10,294,719	11,233,689	12,139,488	13,069,224	13,915,861	12,477,574
Public safety	41,576,515	46,654,053	55,531,601	57,235,374	59,624,309	64,460,665
Public safety - payments to component units	-	1,136,184	603,450	603,450	326,200	326,200
Public health and welfare	35,774,006	36,867,614	36,382,457	37,318,628	40,028,212	39,407,838
Public health and welfare - payments to component units	-	-	562,635	562,635	646,990	256,628
Social and cultural services	12,553,883	14,186,357	13,955,047	14,688,232	15,719,033	17,697,777
Agricultural and natural resources	318,902	335,090	346,591	390,615	402,907	425,395
Other general government	13,673,548	13,352,236	13,625,581	13,533,836	11,690,674	14,173,623
Highways	9,829,051	9,113,368	11,938,273	8,607,547	12,887,045	11,228,081
Decrease in equity interest in joint venture	-	-	442,629	457,224	-	-
Debt proceeds paid to component unit	-	-	32,000,000	24,000,000	27,000,000	18,550,000
Debt issuance cost	-	-	144,875	308,200	337,500	340,537
Payments to component units	2,578,160	-	-	5,500	44,994,500	10,750,000
Capital Outlay	20,992,178	31,512,938	40,140,959	24,273,922	37,596,153	47,004,907
Debt Service:						
Principal	17,985,467	21,455,467	18,790,467	20,040,468	21,370,468	22,980,467
Interest	18,634,020	18,251,918	18,567,892	21,439,049	23,704,393	25,102,520
Other charges	539,190	427,087	559,594	868,759	1,230,283	1,309,719
Total expenditures	<u>214,935,461</u>	<u>236,634,837</u>	<u>289,736,459</u>	<u>274,195,565</u>	<u>350,963,730</u>	<u>331,732,567</u>
Deficiency of revenues under expenditures	(9,235,135)	(24,006,682)	(57,169,671)	(36,674,525)	(96,270,367)	(66,248,174)
<b>Other financing sources (uses)</b>						
Transfers in	8,758,013	8,906,826	42,381,859	23,722,579	32,427,313	26,009,546
Transfers out	(9,245,787)	(11,410,264)	(43,446,859)	(23,933,579)	(34,077,313)	(27,309,546)
Refunding bonds issued	33,891,691	81,110,000	-	93,310,000	77,000,000	69,000,000
Bonds issued	50,000,000	13,099,424	72,000,000	70,000,000	-	-
Premium on bonds issued	3,388,812	7,613,126	-	8,238,711	-	-
Discount on bonds issued	(299,724)	(555,460)	-	(585,773)	-	-
Payments to refunded bond escrow agent	(35,030,150)	(88,167,090)	(21,605,024)	(100,962,938)	-	-
Decrease in equity interest in joint venture	-	(370,313)	-	-	-	-
Total other financing sources (uses)	<u>51,462,855</u>	<u>10,226,249</u>	<u>49,329,976</u>	<u>69,789,000</u>	<u>75,350,000</u>	<u>67,700,000</u>
Net change in fund balances	<u>\$ 42,227,720</u>	<u>\$ (13,780,433)</u>	<u>\$ (7,839,695)</u>	<u>\$ 33,114,475</u>	<u>\$ (20,920,367)</u>	<u>\$ 1,451,826</u>
Debt service as a percentage of noncapital expenditures	19.10%	19.40%	14.75%	16.83%	14.15%	16.38%

Only six years reported as Knox County implemented GASB 34 in fiscal year 2002.

**KNOX COUNTY, TENNESSEE**

**Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Tax Years**

Tax Year Ended June 30	Real Property		Personal Property	Public Utilities	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property						
2001	\$ 3,500,743,875	\$ 2,004,715,480	\$ 535,256,469	\$ 263,632,399	\$ 6,304,348,223	\$ 2.96	\$ 21,278,284,065	\$ 29.63
2002	3,606,764,625	2,063,227,360	547,329,124	257,387,958	6,474,709,067	2.96	21,877,535,419	29.60
2003	3,723,284,900	2,096,341,920	522,595,219	229,326,698	6,571,548,737	2.96	22,292,936,096	29.48
2004	3,905,616,475	2,110,926,520	517,162,396	237,929,088	6,771,634,479	2.96	23,056,255,195	29.37
2005	4,641,294,150	2,360,192,280	532,543,347	253,178,224	7,787,208,001	2.96	26,701,125,834	29.16
2006	4,787,353,825	2,407,512,800	542,154,459	229,967,878	7,966,988,962	2.69	27,393,502,245	29.09

**Source:** Tennessee State Board of Equalization.

**Notes:** Assessment rates are set by Tennessee State Law as follows:

- Real Property: Residential and Farm at 25% of value  
Commercial and Industrial at 40% of value
- Personal property at 30% of value
- Public Utilities at 55% of value (Railroads 40%)

In FY 2005 a county-wide reappraisal was completed.

*Only six years reported as Knox County implemented GASB 34 in fiscal year 2002.*

**KNOX COUNTY, TENNESSEE**

**Property Tax Rates  
Direct and Overlapping Governments  
Last Ten Fiscal Years**

	<b>Year Taxes Are Payable</b>					
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Knox County Direct Rates</b>						
General	1.167	1.143	1.36	1.36	1.24	1.24
Public Library	0.134	0.135	-	-	-	-
Solid Waste	0.047	0.050	-	-	-	-
Debt Service	0.277	0.277	0.25	0.25	0.22	0.22
ADA Construction	0.012	0.012	-	-	-	-
Schools	1.323	1.343	1.35	1.35	1.23	1.23
<b>Total direct rate</b>	<b>2.96</b>	<b>2.96</b>	<b>2.96</b>	<b>2.96</b>	<b>2.69</b>	<b>2.69</b>
<b>City of Knoxville Rates</b>	<b>2.70</b>	<b>2.70</b>	<b>3.05</b>	<b>2.81</b>	<b>2.81</b>	<b>2.81</b>
<b>Total direct &amp; overlapping rates</b>	<b>5.66</b>	<b>5.66</b>	<b>6.01</b>	<b>5.77</b>	<b>5.50</b>	<b>5.50</b>

*Only six years reported as Knox County implemented GASB 34 in fiscal year 2002.*

KNOX COUNTY, TENNESSEE

Principal Property Taxpayers  
Tax Year 2006 and Five Years Ago

<u>Taxpayer</u>	<u>Fiscal Year 2007</u>			<u>Fiscal Year 2002</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
BellSouth	\$ 78,974,107	1	0.99%	\$ 95,462,295	1	1.53%
West Town Mall	37,718,880	2	0.47%	38,092,720	2	0.61%
Knoxville Center/East Towne Mall	22,415,560	3	0.28%	30,231,440	3	0.48%
Norfolk Southern	18,980,883	4	0.24%	16,127,598	4	0.26%
Parkway Properties LP	13,274,480	5	0.17%	13,330,160	5	0.21%
Fort Sanders Alliance	11,581,560	7	0.15%	10,437,280	8	0.17%
Concord Telephone	10,929,719	8	0.14%	10,468,984	7	0.17%
Harvard Behringer	12,751,840	6	0.16%	-	-	-
East Tennessee Baptist Hospital	7,603,480	9	0.10%	-	-	-
U. Dean Hall (Walkers Crossing)	7,587,080	10	0.10%	-	-	-
AT&T Communications	-	-	-	12,923,349	6	0.21%
River View Tower/City	-	-	-	9,060,120	9	0.14%
Knoxville Cellular Telephone Company	-	-	-	8,645,175	10	0.14%
Totals	<u>\$ 221,817,589</u>		<u>2.80%</u>	<u>\$ 244,779,121</u>		<u>3.92%</u>

Source: Knox County, Tennessee Property Assessor Department.

Only six years reported as Knox County implemented GASB 34 in fiscal year 2002.

**KNOX COUNTY, TENNESSEE**

**Property Tax Levies and Collections  
Last Ten Fiscal Years  
(amounts expressed in thousands)**

<b>Fiscal Year Ended June 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2001	\$ 178,460	\$ 169,059	94.7%	\$ 8,920	\$ 177,979	99.7%
2002	186,495	177,651	95.3%	8,141	185,792	99.6%
2003	190,882	181,786	95.2%	8,050	189,836	99.5%
2004	193,996	186,380	96.1%	6,318	192,698	99.3%
2005	198,928	191,042	96.0%	6,028	197,070	99.1%
2006	207,155	198,584	95.9%	5,691	204,275	98.6%

*Source: Knox County, Tennessee Trustee Department.*

*Only six years reported as Knox County implemented GASB 34 in fiscal year 2002.*

**KNOX COUNTY, TENNESSEE**

**Ratios of Outstanding Debt by Type**

**Last Ten Fiscal Years**

(amounts expressed in thousands, except per capita amount)

Fiscal Year	Primary Government		Component Units		Total Reporting Unit	Percentage of Personal Income (1)	Per Capita (2)
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Capital Leases			
2002	\$ 195,975	\$ 265	\$ 205,885	\$ 3,484	\$ 405,609	3.50%	\$ 1,037
2003	193,455	55	193,369	2,950	389,829	3.27%	982
2004	213,987	-	216,547	6,714	437,248	3.48%	1,093
2005	247,817	-	231,051	5,652	484,520	3.64%	1,196
2006	286,151	-	248,346	4,552	539,049	3.85% (2)	1,308 (2)
2007	323,944	-	256,573	3,409	583,926	4.03% (2)	1,394 (2)

*Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.*

*(1) See the Schedule of Demographic and Economic Statistics on page 227 for personal income and population data.*

*(2) Estimated, schedule will be updated when the information becomes available.*

*Only six years are reported as Knox County implemented GASB 34 in fiscal year 2002.*

**KNOX COUNTY, TENNESSEE**

**Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years  
(amounts expressed in thousands, except per capita amount)**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value (1) of Property</b>	<b>Per Capita (2)</b>
2002	\$ 401,860	\$ 26,211	\$ 375,649	1.77%	\$ 960
2003	386,824	25,501	361,323	1.65%	911
2004	430,534	28,025	402,509	1.81%	1,006
2005	478,868	28,906	449,962	1.95%	1,110
2006	534,498	24,116	510,382	1.91%	1,239
2007	580,517	26,904	553,613	2.02%	1,321

*Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.*

*(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 220 for property value data.*

*(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 227.*

*Only six years are reported as Knox County implemented GASB 34 in fiscal year 2002.*

**KNOX COUNTY, TENNESSEE**

**Direct and Overlapping Governmental Activities Debt  
As of June 30, 2007  
(amounts expressed in thousands)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County Subtotal, direct debt	\$ 583,926	100.00%	<u>\$ 583,926</u>
City of Knoxville overlapping debt	220,280	100.00%	220,280
Town of Farragut overlapping debt	-		<u>-</u>
Total direct and overlapping debt			<u><u>\$ 804,206</u></u>

Note: Percentage of overlap based on assessed property values.



**KNOX COUNTY, TENNESSEE**

**Demographic and Economic Statistics  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population</b> (1)	<b>Personal Income</b> (amounts expressed in thousands) (1)	<b>Per Capita Personal Income</b> (1)	<b>Median Age</b> (3)	<b>School Enrollment</b> (3)	<b>Unemployment Rate</b> (2)
2002	391,462	\$ 11,580,797	\$ 29,583	36.9	98,074	4.0%
2003	396,559	11,920,331	30,059	37.6	99,998	4.3%
2004	400,174	12,572,396	31,417	38.0	96,563	4.1%
2005	405,355	13,301,853	32,815	37.5	92,507	4.8%
2006	411,967 (2)	14,000,000 (4)	33,500 (4)	37.8	92,507 (4)	4.5%
2007	419,000 (4)	14,500,000 (4)	34,000 (4)	38.0 (4)	92,507 (4)	3.3%

*Data sources:*

(1) Bureau of Economic Analysis, Regional Economic Accounts.

(2) Tennessee Department of Labor and Workforce Development.

(3) US Census Bureau/American Community Survey Profile.

(4) Estimated, schedule will be updated when the information becomes available.

Only six years are reported as Knox County implemented GASB 34 in fiscal year 2002.

**KNOX COUNTY, TENNESSEE**

**Principal Employers  
Calendar Year 2006 and Nine Years Ago**

<b>Employer (1)</b>	<b>2006</b>			<b>1997</b>		
	<b>Employees (2)</b>	<b>Rank</b>	<b>Percentage of Total County Employment (3)</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
U.S. Department of Energy, Oak Ridge Operations	11,943	1	3.58%	-		-
Covenant Health	8,664	2	2.60%	-		-
The University of Tennessee, Knoxville	8,447	3	2.53%	6,133	3	1.94%
Knox County Public Schools	7,860	4	2.35%	8,046	2	2.54%
Wal-Mart Stores	4,472	5	1.34%	-		-
State of Tennessee, Regional Offices	3,733	6	1.12%	2,626	7	0.83%
St. Mary's Health System	3,529	7	1.06%	2,200	9	0.69%
K-VA-T Food Stores	3,416	8	1.02%	-		-
University of Tennessee Medical Center	3,367	9	1.01%	4,100	4	1.29%
Knox County Government	2,974	10	0.89%	2,200	8	0.69%
Lockheed - Martin Energy Systems	-		-	14,320	1	4.52%
Fort Sanders Alliance	-		-	3,871	5	1.22%
Levi Strauss & Company	-		-	3,482	6	1.10%
DeRoyal Industries	-		-	2,100	10	0.66%
<b>Total</b>	<b>58,405</b>		<b>17.50%</b>	<b>49,078</b>		<b>15.48%</b>

(1) Based on employers in the Knoxville metropolitan area which includes Anderson, Blount, Knox, Loudon, Sevier, and Union Counties.

(2) Greater Knoxville Chamber of Commerce.

(3) Tennessee Department of Labor and Workforce Development.

**KNOX COUNTY, TENNESSEE**

**Full-time Equivalent County Government Employees by Function  
Last Ten Fiscal Years**

<b>Function</b>	<b>Full-time Equivalent Employees as of June 30</b>					
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
General Government	707	672	705	664	682	821
Public safety	858	886	815	856	885	974
Health & human services	236	239	234	224	290	310
Engineering & public works	174	174	174	172	176	215
Parks & recreation	59	59	55	54	56	62
<b>Total</b>	<b>2,034</b>	<b>2,030</b>	<b>1,983</b>	<b>1,970</b>	<b>2,089</b>	<b>2,382</b>

*Source: Knox County Budget.  
Only six years are reported as Knox County implemented GASB 34 in fiscal year 2002.*

KNOX COUNTY, TENNESSEE

Operating Indicators by Function  
Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007
Sheriff (1)						
Arrests	27,026	27,278	28,386	31,218	32,508	*
Accidents	3,592	4,125	4,026	4,868	4,889	*
Incidents	15,821	15,883	16,704	15,595	21,870	*
Health services (2)						
Clinical services						
Pediatric cases	11,886	11,178	11,162	10,850	10,537	9947
Preventive health cases	14,092	13,198	18,161	13,749	14,571	12502
WIC services	19,352	17,151	16,936	26,533	31,156	29892
Communicable diseases treated	17,563	16,923	17,195	17,896	18,893	16497
New prescriptions filled	55,484	49,749	39,923	29,299	26,578	24452
Engineering & public works (2)						
Street resurfacing (miles)	115	86	85	78	38	34
Road maintenance service orders processed	2,037	2,275	2,024	1,525	1,288	1306
Litter reduction from right of way (miles)	187	300	417	361	538	817
Parks & recreation (2)						
Number of park shelter reservations	505	404	690	843	900	931
Total all participants on all teams	26,100	26,150	26,800	27,700	28,750	30345
Total number of attendees at events	13,500	26,050	16,925	35,000	35,000	16757

\* Information not yet available.

(1) Information kept by calendar year.

(2) Information kept by fiscal year.

Only six years are reported as Knox County implemented GASB 34 in fiscal year 2002.

KNOX COUNTY, TENNESSEE

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Public safety						
Sheriff						
Detention Facility	1	1	1	1	1	1
Penal Farm	1	1	1	1	1	1
Patrol units	N/A	N/A	N/A	N/A	10	10
Engineering & public works						
Streets (miles)	N/A	N/A	N/A	N/A	203,252	203,266
Bridges	3	3	4	4	4	4
Traffic signals	46	46	47	49	49	49
Parks & recreation						
Parks acreage	2,437	2,584	2,915	2,874	3,026	3,051
Parks	35	40	40	43	45	46
Spray pools	-	-	-	2	2	3
Tennis courts	5	5	6	6	7	7

Only six years are reported as Knox County implemented GASB 34 in fiscal year 2002.